



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

GLOBAL OFFERING

Joint Sponsors



中泰國際
ZHONGTAI INTERNATIONAL



中信建投國際
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廣發證券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Joint Bookrunners and Joint Lead Managers



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廣發證券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED



ICBC 工銀國際



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浦銀國際
SPDB INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	500,000,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	50,000,000 H Shares (subject to adjustment)
Number of International Offer Shares	:	450,000,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$3.10 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)
Nominal Value	:	RMB1.00 per H Share
Stock Code	:	1576

Joint Sponsors



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or for any other documents referred to above.

The Offer Price is expected to be determined by an agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 12 July 2018 (Hong Kong time) and, in any event, not later than Wednesday, 18 July 2018 (Hong Kong time). The Offer Price will be not more than HK\$3.10 and is currently expected to be not less than HK\$2.50 per Offer Share unless otherwise announced. **The Joint Global Coordinators (for themselves and on behalf of the Underwriter(s), and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering, in which case, notice of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and will be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.qlecl.com).** Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for whatever reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, 18 July 2018 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Regulatory Overview", "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of Articles of Association" to this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold and delivered outside the United States in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if certain grounds arise at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the sub-section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of our Company at www.qlecl.com if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website, www.eipo.com.hk⁽²⁾ 11:30 a.m. on Monday, 9 July 2018

Application lists of the Hong Kong Public Offering open⁽³⁾. 11:45 a.m. on Monday, 9 July 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms 12:00 noon on Monday, 9 July 2018

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s). 12:00 noon on Monday, 9 July 2018

Latest time to give **electronic application instructions** to HKSCC⁽⁴⁾. 12:00 noon on Monday, 9 July 2018

Application lists of the Hong Kong Public Offering close 12:00 noon on Monday, 9 July 2018

Expected Price Determination Date⁽¹¹⁾ Thursday, 12 July 2018

Announcement of

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and

EXPECTED TIMETABLE⁽¹⁾

- the basis of allotment of the Hong Kong Offer Shares to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of our Company at www.qlecl.com on or before Wednesday, 18 July 2018

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of our Company at www.qlecl.com (please refer to the sub-sections headed "11. Publication of Results" and "14. Dispatch/Collection of Share Certificates and Refund Monies" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus) on Wednesday, 18 July 2018

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function Wednesday, 18 July 2018

H Share certificates in respect of wholly or partially successful applications will be dispatched or deposited into CCASS on or before^{(5) to (10)} Wednesday, 18 July 2018

Dispatch of **White Form** e-Refund payment instructions/refund cheques (if applicable) in respect of wholly or partially unsuccessful applications on or before^{(6) to (10)} Wednesday, 18 July 2018

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Thursday, 19 July 2018

<p>The application for the Hong Kong Offer Shares will commence on Friday, 29 June 2018 through Monday, 9 July 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving banks on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 18 July 2018. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Thursday, 19 July 2018.</p>

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process by completing payment of application monies until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 July 2018, the application lists will not open on that day. Please refer to the sub-section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the sub-section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) **H Share certificates will only become valid certificates of title if the Global Offering has become unconditional and if neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.**
- (6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of your Hong Kong identity card number or passport number or, if you are joint applicants, part of the Hong Kong identity card or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to a delay in encashment or may invalidate your refund cheque.
- (7) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in their Application Forms their wish to collect H Share certificates and refund cheques (as applicable) in person from our H Share Registrar may collect (where applicable) share certificates and (where applicable) refund cheques in person from our 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 from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018. Applicants being individuals who is eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporations chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar.
- (8) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in their Application Forms their wish to collect refund cheques (where relevant) in person may do so but may not elect to collect their H Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for the Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

- (9) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application through the designated website at www.eipo.com.hk and whose applications are wholly or partially successful, may collect H Share certificate(s) in person from our 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 from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Identification and (where applicable) authorisation documents acceptable to our H Share Registrar must be produced at the time of collection.
- For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, H Share certificate(s) will be sent to the address specified in the applicant’s application instructions through the designated website at www.eipo.com.hk on or before Wednesday, 18 July 2018, by ordinary post and at the applicant’s own risk. Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) dispatched to the application payment bank account on Wednesday, 18 July 2018. Applicants who used multiple bank accounts to pay the application monies may have refund cheques (if any) dispatched to the applicants on or before Wednesday, 18 July 2018.
- (10) Uncollected H Share certificates and refund cheques will be dispatched by ordinary post at the applicant’s own risk to the addresses specified in the relevant Application Forms. Further information is set out in the sub-section headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.
- (11) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Thursday, 12 July 2018, and in any event not later than Wednesday, 18 July 2018. If, for any reason, the Offer Price is not agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for the Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

We will publish an announcement in the event that there is any change in the expected timetable of the Hong Kong Public Offering as described above.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdictions or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, affiliates, agents, representatives or advisers, or any other person or party involved in the Global Offering. Information contained in our Company's website at www.qlecl.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

With over a decade’s experience in the PRC expressway operation industry, we are an expressway operator in Shandong Province with the Concession Rights to construct, maintain, operate and manage the Jihe Expressway.

The Jihe Expressway runs from Jinan City to Heze City through nine districts/counties under four cities in Shandong Province with a total length of approximately 153.6 km. The Jihe Expressway forms part of the Fifth Connecting Line and the Eight Vertical Line⁽¹⁾ of the Shandong 9–5–1–7 Expressway Network and connects to a number of industrial zones and renowned tourist attractions in Shandong Province. On a macro-perspective, the Jihe Expressway is located at the northern section of the G35 National Expressway which connects the traffic on the Jihe Expressway to the Bohai Economic Rim, the Yangtze River Delta and the Pearl River Delta under the National Highway System.

During the Track Record Period, benefiting from the macroeconomic development trend of Shandong Province as well as the economic and tourism growth of the surrounding regions, our operational performance has experienced rapid growth. For the three years ended 31 December 2017, the traffic flow of the Jihe Expressway was approximately 13.3 million, 17.0 million and 19.6 million vehicles, respectively. Leveraging on our preventive maintenance measures and our information management systems, we have maintained quality road conditions of and smooth traffic on the Jihe Expressway. We believe that, leveraging on the geographical location and strategic connections of the Jihe Expressway and the government policy support, we will continue to enhance our operational performance and profitability.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe that the following competitive strengths will continue to contribute to our success in the future: (i) we benefit from the comprehensive strength of eastern China and Shandong Province’s steady growth in economy and transportation network; (ii) we have geographical advantage as we connect to regions with strong industrial foundation, profound culture and renowned tourist attractions in Shandong Province; (iii) proven track record of steady growth and effective cost management; (iv) we increase traffic flow and toll collection efficiency through leveraging the full use of effective technologies; and (v) experienced management team with strong execution ability and a team of high calibre employees.

Note:

⁽¹⁾ The whole Jihe Expressway forms the Fifth Connecting Line and the Pingyin-Jiaxiang section of the Jihe Expressway forms part of the Eighth Vertical Line under the Shandong 9–5–1–7 Expressway Network.

SUMMARY

We intend to implement the following strategies to further develop our business and create value for our Shareholders: (i) we will pay close attention to high quality road-related assets to expand our business; (ii) we will further strengthen the application of information technology and improve the effectiveness of our technology; (iii) we will continue to improve our operating efficiency and enhance our profitability; and (iv) we will establish a more complete human resources system to attract, motivate and nurture high quality talents in road operation and management.

For details, please refer to the sub-section headed “Business — Our Competitive Strengths and Strategies” in this prospectus.

OUR BUSINESS MODEL

The following table sets out the business model of our Expressway Business:

Construction	Our Company commenced the construction works of the Jihe Expressway in December 2004, which was completed and open to traffic in September 2007.
Maintenance	We maintain our operational and cost efficiencies through carrying out comprehensive maintenance measures on a daily basis and implementing preventive measures to preserve the quality road conditions of the Jihe Expressway and increase the useful life of its road surface.
Operations	Our major operations on the Jihe Expressway include toll collection and traffic management. We have systems in place to provide round-the-clock real-time and continuous monitoring of the traffic conditions and immediate response to emergencies.
Management	Our management team is actively involved in the daily operations of the Jihe Expressway. In order to ensure the safety of users and smooth traffic of the Jihe Expressway, we have established a flat management structure to increase our management efficiency.

For details, please refer to the sub-section headed “Business — Our Business Model” in this prospectus.

We derive a substantial portion of our revenue from our Expressway Business, and a majority of which is generated from tolls collected from users of the Jihe Expressway. Toll income principally depends on applicable toll rates of the Jihe Expressway which are subject to unilateral changes by the national and provincial government authorities, traffic flow by vehicle classification (for passenger vehicles) or vehicle weight (for trucks), and distance travelled. Further, we derive insignificant revenue from our Advertisement Business arising from leasing billboards along the Jihe Expressway and providing advertisement publication services. For details, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

During the Track Record Period up to the completion of the Subsidiary and Asset Restructuring, we derived certain revenue from our Discontinued Operations. For details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring — Transfer of the ancillary facility assets along the Jihe Expressway to Qilu Transportation” in this prospectus.

PROJECT CONCESSION AND THE JIHE EXPRESSWAY

On 26 September 2004, our Company entered into the Concession Agreement pursuant to which the Shandong Transport Department (as authorised by the Shandong Provincial Government) granted us our Concession Rights which are based on the Build — Operate — Transfer model. For details, please refer to the paragraphs headed “Project Concession” and “Concession Agreement” in the sub-section headed “Business — The Jihe Expressway” in this prospectus.

Set out below are the key data of the Jihe Expressway:

Route	from the west of Yinjialin Stack Interchange in Jinan City to Wangquantun Stack Interchange in Heze City
Total Length	approximately 153.6 km
Classification	expressway
Number of lanes	two-way four lanes
Speed limit	120 km per hour
Toll system	closed system
Road surface	asphalt-paved road surface
Number of management centres/toll stations	seven
Number of stack interchanges passed through along the expressway	two
Concession Period	30 years, expiring on 25 September 2034
Status	fully operational, collecting tolls

In accordance with the Concession Agreement, our Group is required to transfer the Jihe Expressway to the Shandong Transport Department upon expiry of the Concession Agreement on 25 September 2034 and will no longer receive toll income from the Jihe Expressway. As part of our strategies and to expand our source of income, we plan to acquire or invest in operative toll roads, bridges and relevant road-related infrastructure projects in the PRC, particularly in Shandong Province. We aim to achieve horizontal growth through equity or asset acquisition and create value for our Shareholders. Our Directors believe that our Group can benefit and capitalise on the extensive industry knowledge and know-how of our Group’s management team on such acquisitions and investments. For details, please refer to the sub-sections headed “Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

SUMMARY

Pursuant to the Concession Agreement, whereas the Concession Rights will expire upon the expiry of the Concession Period, the Concession Rights may be terminated under the following circumstances:

<u>No.</u>	<u>Ways of termination</u>	<u>Circumstances triggering the termination</u>	<u>Consequences</u>
1.	Unilateral termination by the Concession Authority by written notice at any time	<ul style="list-style-type: none"> ● our Company is declared bankrupt or in liquidation; or ● our Company fails to perform its main obligations and fails to carry out rectification within 60 days after the written notice from the Concession Authority for rectification 	<i>compensation to our Company: 80% of the difference between the audited amount of reasonable investment of our Company and the depreciated or amortised value of the Jihe Expressway if our Company has not recovered the audited reasonable investment; no compensation if such is recovered</i>
2.	Unilateral termination by our Company by written notice at any time	<ul style="list-style-type: none"> ● the whole or any part of the Jihe Expressway is converted into toll-free expressway by the government; or ● the Concession Authority terminates Concession Period or revokes Concession Rights without valid reason 	<i>compensation to our Company: 120% of the difference between the audited amount of reasonable investment of our Company and the depreciated or amortised value of the Jihe Expressway calculated by using average useful life method</i>
3.	Termination due to force majeure	<ul style="list-style-type: none"> ● natural disasters; ● social anomalies; or ● change in laws 	<ul style="list-style-type: none"> ● our Company and the Concession Authority shall negotiate to determine whether the Concession Agreement shall remain valid or be terminated if any party is unable to perform its obligation for more than 180 days due to force majeure events; ● any party may issue a written notice to terminate the Concession Agreement if both parties fail to agree on whether the Concession Agreement shall remain valid or be terminated within 365 days after the occurrence of force majeure events

Further, upon the above terminations, the Concession Authority or an entity so nominated shall be entitled to take over the Jihe Expressway project. Within 14 days after such termination, an auditor shall be jointly appointed to audit the investment and revenue gained from the project.

SUMMARY

HISTORICAL TRAFFIC FLOW

The following table sets out a breakdown of the traffic flow of the Jihe Expressway based on the vehicle classification during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>Traffic flow (vehicles)</i>	<i>Traffic flow (vehicles)</i>	<i>Traffic flow (vehicles)</i>
Passenger vehicles			
Class 1	8,369,484	10,167,700	11,277,574
Class 2	110,162	121,677	213,027
Class 3	355,061	423,234	413,568
Class 4	<u>297,160</u>	<u>307,000</u>	<u>285,775</u>
Total passenger vehicles	<u>9,131,867</u>	<u>11,019,611</u>	<u>12,189,944</u>
Trucks			
Class 1	600,551	763,354	938,282
Class 2	550,620	660,875	755,759
Class 3	304,265	395,779	473,300
Class 4	236,532	345,146	394,388
Class 5	<u>2,501,592</u>	<u>3,831,827</u>	<u>4,848,542</u>
Total trucks	<u>4,193,560</u>	<u>5,996,981</u>	<u>7,410,271</u>
Total passenger vehicles and trucks⁽¹⁾	<u>13,325,427</u>	<u>17,016,592</u>	<u>19,600,215</u>
Average daily traffic flow⁽²⁾	<u>36,508</u>	<u>46,493</u>	<u>53,699</u>

Notes:

- (1) The traffic flow of the Jihe Expressway does not include vehicles exempted from paying tolls. For details of such vehicles, please refer to the sub-sections headed “Regulatory Overview — Laws and Regulations in relation to Highways — Toll Collection and Set-up of Toll Stations” and “Business — Expressway Operations — Toll Rate Discounts and Exemptions” in this prospectus.
- (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.

For details of the above traffic flow and the material fluctuations of the traffic flow during the Track Record Period, please refer to the sub-section headed “Business — Expressway Operations — Historical Traffic Flow” in this prospectus.

SUMMARY

TOLL INCOME

The following table sets out the total and average daily toll income of our Company and our Company's average toll income per vehicle on the Jihe Expressway during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
Total toll income (<i>RMB'000</i>)	858,862	994,373	1,037,932
Average daily toll income (<i>RMB'000</i>)	2,353	2,717	2,844
Average toll income per vehicle ⁽¹⁾ (<i>RMB</i>)	64.5	58.4	53.0

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.

The total and average daily toll income of our Company increased from approximately RMB858.9 million and RMB2.4 million, respectively, for the year ended 31 December 2015 to approximately RMB994.4 million and RMB2.7 million, respectively, for the year ended 31 December 2016, representing a year-on-year increase of approximately 15.8% and 12.5%, respectively, and further increased to approximately RMB1,037.9 million and RMB2.8 million, respectively, for the year ended 31 December 2017, representing a year-on-year increase of approximately 4.4% and 3.7%, respectively. Our Company's average toll income per vehicle on the Jihe Expressway decreased from approximately RMB64.5 for the year ended 31 December 2015 to approximately RMB58.4 for the year ended 31 December 2016, representing a year-on-year decrease of approximately 9.5%, which further decreased to approximately RMB53.0 for the year ended 31 December 2017, representing a year-on-year decrease of approximately 9.3%.

For details, please refer to the sub-section headed "Business — Expressway Operations — Toll Income" in this prospectus.

SUMMARY

ANTICIPATED TRAFFIC IMPACT FROM FUTURE ROAD AND RAIL NETWORKS ON THE JIHE EXPRESSWAY

In light of the future road network changes arising from the highway construction programmes stipulated in the Shandong's Thirteenth Five-year Plan and the Shandong Expressway Network Medium and Long Term Plan (2014–2030), the opening of various highways in Shandong Province may bring impact to the traffic flow of the Jihe Expressway. The following table summarises the anticipated traffic impact of certain of the above highways with material impact on the Jihe Expressway:

<u>Name</u>	<u>Date of road work completion (if applicable) and the toll road opening to traffic</u>	<u>Impact on the Jihe Expressway</u>
Restriction on trucks with five axles or above during the transformation of Jinan — Qingdao Expressway	31 January 2019 (estimated to be opened in the 4 th quarter of 2018)	Traffic diversion impact Traffic flow: -4.6%; Toll income: -8.3%
Major maintenance and repair works of the Jihe Expressway	2022	Traffic diversion impact Traffic flow: -7.8%; Toll income: -7.5%
Dezhou — Dong'e Expressway (Dezhou to Gaotang Section)	The engineering feasibility study is not conducted and reasonable expectation of the opening year is 2025	Traffic diversion impact Traffic flow: -3.5%; Toll income: -3.7%
Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section)	The section from Dongjiakou to Wulian is at engineering feasibility study stage, and the full line is expected to be opened by 2030	Traffic attraction impact <i>Combined effect of Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) and Jinan Second Ring Road:</i> Traffic flow: +3.2%; Toll income: +2.9%

SUMMARY

<u>Name</u>	<u>Date of road work completion (if applicable) and the toll road opening to traffic</u>	<u>Impact on the Jihe Expressway</u>
Jinan Second Ring Road	It is estimated to be opened in 2030	Traffic attraction impact <i>Combined effect of Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) and Jinan Second Ring Road:</i> Traffic flow: +3.2%; Toll income: +2.9%

Further, rail networks can bring about traffic impact to the Jihe Expressway. The existing railways next to the Jihe Expressway includes the Beijing-Shanghai Railway, the Beijing-Shanghai High-speed Railway and the Beijing-Kowloon Railway. The aforesaid railways have been in operation for many years and their impact has been reflected in the current traffic flow of the Jihe Expressway. In addition, the Beijing-Kowloon High-speed Railway is planned to be constructed. As confirmed by WB Group, the impact from opening of the Beijing-Kowloon High-speed Railway on the traffic flow of the Jihe Expressway in the future is minimal.

For details, please refer to the sub-section headed “Business — Anticipated Traffic Impact from Future Road and Rail Networks on the Jihe Expressway” and the sub-section headed “4 Approach of Traffic and Revenue Forecast — 6. Road and Rail Networks” in Appendix V to this prospectus.

CUSTOMERS AND SUPPLIERS

Given the nature of our Expressway Business, we did not have any single customer that contributed more than 5% to the revenue of our Continuing Operations, or that was otherwise material to our business, during the Track Record Period. Accordingly, none of our major customers is also a major supplier.

The suppliers for our Continuing Operations primarily consist of road construction, electrical and mechanical engineering contractors as well as equipment maintenance services providers. During the Track Record Period, purchases from our top five suppliers for our Continuing Operations collectively accounted for less than 30% of our total cost of sales for our Continuing Operations.

SUMMARY

ACCOUNTING TREATMENT FOR OUR CONCESSION INTANGIBLE ASSETS AND SERVICE CONCESSION ARRANGEMENTS

Our Group recorded the assets under the Concession Agreement as concession intangible assets, which are stated at the construction cost of the Jihe Expressway and its ancillary facilities and are subject to amortisation using the straight-line method over the Concession Period and impairment review. Our Concession Rights under the Concession Agreement constitute a service concession arrangement with respect to the construction, maintenance, operation and management of the Jihe Expressway. As such, our Group has accounted for its service concession arrangement in accordance with HK(IFRIC)-Int 12 because, in the opinion of our Directors, the service concession arrangement contains the following:

- the Shandong Provincial Government (the “**Grantor**”) controls or regulates the construction, maintenance, operation and management services our Group must provide with the Jihe Expressway, to whom our Group must provide such services, and at prices regulated by the Grantor;
- our Group has a contractual right to charge users of the Jihe Expressway;
- the Grantor controls, through ownership, any significant residual interest in the Jihe Expressway at the end of the Concession Agreement; and
- the Grantor restricts our practical ability to sell or pledge the Jihe Expressway that gives us continuing right of use throughout the period of the arrangement.

The accounting treatment of the service concession arrangement under the Concession Agreement involves judgment and affects the presentation of our results of operations. For details, please refer to the sub-section headed “Financial Information — Significant Accounting Policies and Estimates — Concession Intangible Assets and Service Concession Arrangements” in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out the summary of our consolidated financial information for the three years ended 31 December 2017, which is extracted from the consolidated financial information set out in the Accountant’s Report in Appendix I to this prospectus. This summary should be read in conjunction with the consolidated financial information, including the notes thereto, set out in the Accountant’s Report in Appendix I and the information set out in the section headed “Financial Information” in this prospectus.

SUMMARY

Summary of the Consolidated Statements of Comprehensive Income

The following table sets out the summary of the consolidated statements of comprehensive income of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	861,949	999,846	1,045,060
Cost of sales	(382,531)	(297,496)	(292,850)
Gross profit	479,418	702,350	752,210
Administrative expenses	(46,030)	(44,837)	(48,242)
Other gains — net	339	761	5,397
Operating profit	433,727	658,274	709,365
Finance costs — net	(96,899)	(68,992)	(42,832)
Profit before income tax	336,828	589,282	666,533
Income tax expenses	(84,557)	(147,479)	(167,661)
Profit for the year from Continuing Operations . .	252,271	441,803	498,872

Our Continuing Operations maintained stable growth during the Track Record Period. Profit for the year from our Continuing Operations increased by approximately 75.1% from approximately RMB252.3 million for the year ended 31 December 2015 to approximately RMB441.8 million for the year ended 31 December 2016, and further increased by approximately 12.9% to approximately RMB498.9 million for the year ended 31 December 2017. The increases were mainly due to the combined effect of (i) the continuous increase in toll income contributed by the increase in the traffic flow of the Jihe Expressway during the Track Record Period; (ii) the decrease in road maintenance costs for the year ended 31 December 2016 as compared with the year ended 31 December 2015; and (iii) the decrease in finance costs due to repayment of our bank borrowings.

Gross profit margin of our Continuing Operations increased by approximately 14.6 percentage points from approximately 55.6% for the year ended 31 December 2015 to approximately 70.2% for the year ended 31 December 2016, and further increased by approximately 1.8 percentage points to approximately 72.0% for the year ended 31 December 2017. The increase in gross profit margin was mainly due to the continuous increase in revenue during the Track Record Period and no significant road maintenance costs were incurred for the years ended 31 December 2016 and 2017 as compared with the year ended 31 December 2015. For details, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

Summary of the Consolidated Statements of Financial Position

The following table sets out the summary of our consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	240,039	627,562	621,643
Current liabilities	434,037	606,739	561,431
Net current (liabilities)/assets	(193,998)	20,823	60,212
Non-current assets	3,448,701	3,203,763	3,016,243
Non-current liabilities	1,315,603	967,648	599,470
Total equity	<u>1,939,100</u>	<u>2,256,938</u>	<u>2,476,985</u>

Our non-current assets represented mainly concession intangible assets in relation to our Concession Rights. The amortisation of the concession intangible assets is calculated using the straight-line method to allocate the construction costs from 28 September 2007 (the date when the Jihe Expressway was officially put into service) over the Concession Period. Our current assets represented mainly cash and cash equivalents and toll receivables which represented toll income temporarily held by the Expressway Toll Settlement Centre. Our non-current liabilities represented mainly long-term bank borrowings. Our current liabilities comprised mainly short-term bank borrowings and trade and other payables. For details, please refer to the section headed “Financial Information” in this prospectus.

Our net current liabilities of approximately RMB194.0 million as at 31 December 2015 improved to become net current assets of approximately RMB20.8 million as at 31 December 2016. The improvement was mainly attributable to the increase in cash and cash equivalents mainly contributed by the increase in cash inflows from our operations, and the decrease in payment of dividends to our Shareholders. For details of the above and in relation to the year-on-year increase of our net current assets from 31 December 2016 to 31 December 2017, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

Summary of the Consolidated Statements of Cash Flows

The following table sets out the summary of our consolidated statements of cash flow during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	546,843	757,987	675,640
Net cash (used in)/generated from investing activities	(41,149)	(18,426)	188,480
Net cash used in financing activities	(578,692)	(427,625)	(815,834)
Net (decrease)/increase in cash and cash equivalents	(72,998)	311,936	48,286
Cash and cash equivalents at the beginning of the year	128,611	55,613	367,549
Cash and cash equivalents at the end of the year	55,613	367,549	415,835

Our net cash generated from operating activities increased from approximately RMB546.8 million for the year ended 31 December 2015 to approximately RMB758.0 million for the year ended 31 December 2016, which was mainly due to the increase in toll income contributed by the increase in the traffic flow of the Jihe Expressway, and prompt settlement of receivables by the Expressway Toll Settlement Centre. Our net cash generated from operating activities then decreased to approximately RMB675.6 million for the year ended 31 December 2017, which was mainly due to the increase in income tax paid and decrease in cash generated from our operations. Our cash outflow from financing activities represented mainly repayment of borrowings and interests by our Company and dividend payment to our Shareholders. For details, please refer to the section headed “Financial Information” in this prospectus.

KEY FINANCIAL RATIOS

The following tables set out our key financial ratios for the years or as at the dates indicated:

	Year ended 31 December		
	2015	2016	2017
	Return on equity	13.1%	19.9%
Return on assets	6.9%	11.7%	14.6%

	As at 31 December		
	2015	2016	2017
	Current ratio	0.55x	1.03x
Quick ratio	0.54x	0.91x	1.10x
Gearing ratio	0.78x	0.58x	0.33x
Debt to equity ratio	0.75x	0.41x	0.17x

SUMMARY

During the Track Record Period, our return on equity and return on assets recorded continuous increase. The improvements were mainly contributed by the increase in our Group's net profit which was mainly due to the combined effect of (i) the increase in revenue as a result of the increase in traffic flow of the Jihe Expressway; (ii) the decrease in road maintenance costs for the year ended 31 December 2016 as compared with the year ended 31 December 2015; and (iii) the recognition of an one-off gain from disposal of the equity interests in our subsidiaries and certain ancillary facility assets for the year ended 31 December 2017.

Our current ratio and quick ratio recorded increase as at 31 December 2016. The increases were mainly contributed by increases in cash and cash equivalents and trade and other receivable generated from our Continuing Operations, which was partly offset by the increase in current liabilities which was mainly due to reclassification of certain long-term borrowings as at 31 December 2015 to short-term borrowings as at 31 December 2016 as the borrowing became due within one year.

Our current ratio remained stable as at 31 December 2017. The further increase in our quick ratio as at 31 December 2017 was mainly due to the increase in cash and cash equivalents and trade and other receivables generated from our Continuing Operations, and decrease in short-term borrowing resulting from repayment of bank borrowing.

During the Track Record Period, our gearing ratio and debt to equity ratio recorded continuous decrease. The continuous decrease was mainly due to the combined effect of (i) decrease in the balance of bank borrowings as result of repayment of bank borrowings by using the cash generated from our operations; and (ii) increase in total equity as a result of accumulation of profit during the Track Record Period.

For details, please refer to the section headed "Financial Information" in this prospectus.

APPLICATION FOR THE HONG KONG OFFER SHARES

The application for the Hong Kong Offer Shares will commence on Friday, 29 June 2018 through Monday, 9 July 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving banks on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 18 July 2018. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Thursday, 19 July 2018.

SUMMARY

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 500,000,000 H Shares are newly issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 2,000,000,000 Shares are issued and outstanding upon completion of the Global Offering.

	Based on an Offer Price of HK\$2.50 per Share	Based on an Offer Price of HK\$3.10 per Share
Market capitalisation of our Shares (in million)	HK\$5,000	HK\$6,200
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$0.35	HK\$0.50

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$1,319.42 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.80 per H Share, being the mid-point of the Offer Price range of HK\$2.50 to HK\$3.10 per H Share as stated in this prospectus. We currently intend to apply these net proceeds for the following purposes, assuming the Over-allotment Option is not exercised:

- approximately 50% (or approximately HK\$659.71 million) will be used for acquiring operative toll roads, bridges and relevant infrastructure projects or interests. As at the Latest Practicable Date, we did not have any specific acquisition or investment plans or targets and had neither entered into any agreement or memorandum of understanding nor engaged in any negotiation with any potential target;
- approximately 25% (or approximately HK\$329.86 million) will be used for the road maintenance of the Jihe Expressway;
- approximately 10% (or approximately HK\$131.94 million) will be used for the full or partial repayment of short-term bank loans;
- approximately 10% (or approximately HK\$131.94 million) will be used for working capital and other general corporate purposes; and
- approximately 5% (or approximately HK\$65.97 million) will be used for optimising our information management systems, including our monitoring system, communication system and toll systems.

For details of our future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, our Company has declared and paid cash dividends of approximately RMB244.4 million, RMB128.0 million and RMB282.8 million for the three years ended 31 December 2017, respectively. Our dividend payout ratio was approximately 51.1% and 63.8% for the years ended 31 December 2015 and 2016, respectively. On 5 June 2018, our Company declared a dividend of approximately RMB379.2 million, which was approved at our Shareholders' meeting. As at the date of this prospectus, approximately RMB208.8 million of such dividend has been paid.

Our historical dividend distributions are not indicative of our future dividend policy or distribution. We expect to distribute approximately 60.0% to 70.0% of our annual distributable profits as dividend in the future. We will decrease our dividend payment ratio accordingly, if we have significant investment or acquisition plan for the same year. However, there is no assurance that we will be able to distribute dividend of such amount or any amount in every year or any year in the future. Our dividend policy in the future will be determined by our Board based on our operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distribution and other factors that the Board considers relevant. For details, please refer to the subsection headed "Financial Information — Dividend Policy" in this prospectus.

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised and based on the mid-point of indicative Offer Price range, total listing expenses in relation to the Global Offering (including underwriting fees and commission) are estimated to be approximately RMB66.3 million. As at 31 December 2017, we have incurred listing expenses of approximately RMB17.9 million, among which, approximately RMB7.6 million has been recognised as expenses in our consolidated statements of comprehensive income during the Track Record Period, and approximately RMB10.3 million has been recognised as prepayments in our consolidated statements of financial position. We expect to further incur listing expenses of approximately RMB48.4 million, among which, approximately RMB33.8 million is expected to charge against equity attributable to owners of our Company upon Listing, and approximately RMB14.6 million is expected to be recognised as expenses in our consolidated statements of comprehensive income after the Track Record Period. Our Directors expect that the remaining listing expenses would have certain impact on our results of operations for the year ending 31 December 2018.

CORPORATE STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, Qilu Transportation and COSCO SHIPPING (Hong Kong) will hold 38.93% and 30.00%, respectively (assuming the Over-allotment Option is not exercised); or 37.52% and 28.92%, respectively (assuming the Over-allotment Option is fully exercised), of the then issued share capital of our Company. As a result, Qilu Transportation will be our Controlling Shareholder of our Company after completion of the Global Offering, and COSCO SHIPPING (Hong Kong) will also be our Controlling Shareholder of our Company after the completion of the Global Offering

SUMMARY

assuming the Over-allotment Option is not exercised. For details, please refer to the sections headed “History, Development and Group Structure”, “Relationship with our Controlling Shareholders” and “Substantial Shareholders” in this prospectus.

CONNECTED TRANSACTIONS

We have entered into certain connected transactions with Qilu Transportation, including the Trademark License Agreement, the General Services Framework Agreement, the Land Use Right Lease Agreement and the Property Lease Agreement. Pursuant to Rule 14A.105 of the Hong Kong Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from the strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules regarding the Land Use Right Lease Agreement and the Property Lease Agreement. For details of the above continuing connected transactions and waivers, please refer to the section headed “Connected Transactions” in this prospectus.

COMPETITION

As the expressway industry is of a concessionary nature, an expressway may only face competition from highways of the same class in the vicinity with similar direction and comparable traffic efficiency. Frost & Sullivan and WB Group have both confirmed that there are no other highways in such region of the Jihe Expressway which are more efficient than the Jihe Expressway in terms of the travelling time, direction and driving route. For details, please refer to the sub-section headed “Business — Competition” and the paragraphs headed “The Jihe Expressway project has the general characteristics of the expressway industry” and “Competition” in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong)” in this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. The traffic flow of the Jihe Expressway recorded a slight increase for the four months ended 30 April 2018 as compared with that of the same period in the previous year. Nevertheless, based on the management accounts of our Group, our toll income for the four months ended 30 April 2018 was lower than that for the four months ended 30 April 2017, such being the result of the transformation of the Jinan — Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section) restricting long-distance travelled trucks with five axles or above to use those sections of the expressway and thereby restricting such part of the truck traffic on the Jihe Expressway connecting with those sections of the expressway. Such transformation, as advised by WB Group, is expected to be completed on or before 31 January 2019, and the traffic diversion impact arising from the aforesaid transformation of the Jinan-Qingdao Expressway will then no longer exist. For details, please refer to the sub-section headed “4 Approach of Traffic and Revenue Forecast — 6. Road and Rail Networks” in Appendix V to this prospectus. Further, our profit for the same period in 2018 from our Continuing Operations recorded a decline as compared to that of the same period in the

SUMMARY

previous year, due to our Director's view that (i) our toll revenue recorded a decline due to transformation of the Jinan — Qingdao Expressway as mentioned above; and (ii) listing expenses incurred led to an increase in our administrative expenses. Whereas our Directors are of view, and WB Group concurs, that the impact from the transformation of the Jinan — Qingdao Expressway on the traffic flow of the Jihe Expressway is temporary, our profit from our Continuing Operations for the year ending 31 December 2018 may, nevertheless, show a decline as compared to that of the previous year.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the sub-section headed "Listing Expenses" in this section of the prospectus, our Directors confirm that (i) no material adverse change in our results of operations, financial conditions or prospects since 31 December 2017, being the balance sheet date of our latest financial statements; (ii) no serious traffic accident has occurred on the Jihe Expressway; and (iii) there had been no event since 31 December 2017 which would materially and adversely affect the information in the Accountant's Report as set out in Appendix I to this prospectus.

SUMMARY OF PROMINENT RISK FACTORS

There are certain risks relating to investment in the Offer Shares. Some of such risks are further described in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. We believe that some of the significant risk factors include (i) we rely on a single expressway project for substantially all of our revenue and profits from our Continuing Operations, exposing us to business concentration risks; (ii) our business is geographically concentrated, and our business and results of operations depend heavily on the economic and social conditions and the prosperity of the PRC, particularly of Shandong Province; and (iii) reduction of the traffic flow or the rate of growth in traffic flow could adversely affect us.

NON-COMPLIANCE

We have been involved in several non-compliance incidents. For details, please refer to the sub-section headed "Business — Legal Proceedings, Regulatory Compliance and Internal Control — Non-compliance and Enhanced Internal Control Measures" in this prospectus.

FURTHER INFORMATION

A business valuation report, which concluded that the market value of our toll road business as at 31 March 2018 is reasonably stated at the amount of RMB6,851 million, prepared by JLL is set out in Appendix IV to this prospectus. Such valuation is prepared based on a profit forecast prepared by our Company and a toll income projection prepared by WB Group. Indications of value have been developed by the discounted future estimated cash flows available for payment of owners' interest to their present worth at a discount rate of 12.13% to account for the risks of our toll road business.

SUMMARY

The key assumptions and justifications of such assumptions adopted in the Traffic Consultant's Report contained in Appendix V to this prospectus are set out as follows:

- **Forecast period:** year 2018 to 2034;
- **Average annual GDP growth for relevant provinces⁽¹⁾⁽²⁾:** 7.0%–8.0% (2016–2020), 5.5%–6.5% (2021–2025), 4.0%–5.0% (2026–2030), 3.0%–3.5% (2031–2035) and 2.0%–2.5% (2036–2040);
- **Road and rail networks:**
 - Traffic attraction and diversion impact arising from future highway network changes: WB Group referred to the Shandong Province highway construction programs as stipulated in Shandong's Thirteenth Five-year Plan and Shandong Expressway Network Medium and Long Term Plan (2014–2030) and reviewed the progress of roads under construction to conclude the future changes in the surrounding road networks of the Jihe Expressway; and
 - No official sources available for planned highway infrastructure projects after 2030⁽³⁾; and
- **Toll rates:** the current toll rates will remain unchanged until the end of the Concession Period.

For details, please refer to the sub-section headed “4 Approach of Traffic and Revenue Forecast” in Appendix V to this Prospectus.

Notes:

- ⁽¹⁾ In order to analyse the impact of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, car ownership and GDP of secondary industry were thoroughly investigated by WB Group and then subjected to correlation and regression analyses. WB Group determined that GDP was mainly correlated to the traffic growth.
- ⁽²⁾ In general, it is difficult to predict the future growth pattern of economic parameters. It may be unreasonable to adopt a uniform trend forecast for all the economic parameters. WB Group, being a non-economic professional entity, determined the future trends of the parameters based on historic growth of China, and related provinces and municipalities, the Thirteenth Five-year Plan (2016–2020), urban master plan and international and domestic urban city development process.
- ⁽³⁾ WB Group made this assumption on the basis that there is no official sources available for planned highway infrastructure projects after the year indicated.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms”.

“ABCI Capital”	ABCI Capital Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Bookrunners
“ABCI Securities”	ABCI Securities Company Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Lead Managers
“Accountant’s Report”	the accountant’s report of the Reporting Accountant addressed to our Directors and the Joint Sponsors as set out in Appendix I to this prospectus
“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, for details please refer to the sub-section headed “Business — Our Business Model — Advertisement Business” in this prospectus
“affiliate”	any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
“Ancillary Facility Assets Transfer Agreement”	the asset transfer agreement (資產轉讓協議書) entered into between our Company and Qilu Transportation on 19 April 2017, pursuant to which our Company agreed to transfer the ancillary facility assets along the Jihe Expressway held by it to Qilu Transportation. For details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring — Transfer of the ancillary facility assets along the Jihe Expressway to Qilu Transportation” in this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them relating to the Global Offering
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective upon Listing, and as amended from time to time, a summary of which is contained in Appendix VII to this prospectus

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“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCB International”	CCB International Capital Limited, licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
“Central Government” or “PRC Government”	the Central Government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“Chairman”	the chairman of the Board
“Changqing University Science Park Interchange Project” or “University City 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. For details, please refer to the sub-section headed “Business — Upgrade of the Jihe Expressway” in this prospectus

DEFINITIONS

“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administration Region of the People’s Republic of China and Taiwan
“China Accounting Standards for Business Enterprises” or “CASBE”	financial reporting standards and interpretations for business issued by the China Accounting Standards Committee of the Ministry of Finance
“China Energy Investment”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), a limited liability company incorporated in the PRC on 23 October 1995, the entire equity interest of which is held by the SASAC. Its predecessor, Shenhua Group Corporation Limited (神華集團有限責任公司), underwent reorganisation through merger with China Guodian Corporation (中國國電集團公司) and upon completion of business registration on 22 November 2017, it was approved to become China Energy Investment Corporation Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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” or “PRC 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 Transport Department (as authorised by the Shandong Provincial Government) and our Company on 26 September 2004
“Concession Period”	the period from 26 September 2004 to 25 September 2034 during which, pursuant to the Concession Agreement, our Company shall exercise the exclusive Concession Rights

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“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
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Continuing Operations”	the business operations carried out by our Group in relation to the Expressway Business and the Advertisement Business
“Controlling Shareholders”	has the meaning ascribed thereto under the Hong Kong Listing Rules and, for the purpose of this prospectus, refers collectively to Qilu Transportation, COSCO SHIPPING, COSCO and COSCO SHIPPING (Hong Kong)
“Core Management Team”	our two executive directors namely Mr. Li Gang and Mr. Peng Hui, five senior management members namely Mr. Peng Hui, Mr. Zhang Bo, Mr. Li Andong, Mr. Liu Qiang and Mr. Chen Xiulin, and two employee Supervisors namely Mr. Hao Dehong and Ms. Hou Qinghong, responsible for managing the day-to-day operations of our Company. For details, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence” in this prospectus
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“COSCO”	China Ocean Shipping Company Limited* (中國遠洋運輸有限公司) (formerly known as China Ocean Shipping (Group) Corporation* (中國遠洋運輸(集團)總公司) before 4 December 2017), a limited liability company incorporated in the PRC on 22 October 1983, a direct wholly-owned subsidiary of COSCO SHIPPING and being one of our Controlling Shareholders
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a limited liability company incorporated in the PRC on 5 February 2016, the entire equity interest of which is held by the SASAC, and being one of our Controlling Shareholders

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“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, a direct wholly-owned subsidiary of COSCO and being one of our Promoters and our Controlling Shareholders
“CPC” or “Party”	Communist Party of China
“CSCI”	China Securities (International) Corporate Finance Company Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Discontinued Operations”	the business operations carried out by Jihe Service and Jihe Petroleum, whereby the entire equity interest in Jihe Service held by our Company and all of our Company’s 51.00% equity interest in Jihe Petroleum were transferred by our Company to Qilu Service Development pursuant to the Subsidiary and Asset Restructuring
“Domestic Share(s)”	ordinary share(s) in share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法)
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, for details please refer to the sub-section headed “Business — Our Business Model” in this prospectus
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), an independent consulting firm that provides market research and analysis
“Frost & Sullivan Report”	an independent industry report prepared by Frost & Sullivan, please refer to the section headed “Industry Overview” in this prospectus for its extract

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“GDP”	gross domestic product
“General Services Framework Agreement”	the agreement entered into between our Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed that it and its subsidiaries and associates will provide certain services, including highway engineering and design, road surface inspection, maintenance and repair, project supervision and road condition survey, to our Group. For details, please refer to the sub-section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules — (2) General Services Framework Agreement” in this prospectus
“GF Securities”	GF Securities (Hong Kong) Brokerage Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “us” or “we”	our Company and, except where the context otherwise requires, all of its subsidiaries or, where the context refers to any time prior to their respective incorporation, the business in which our or their respective predecessors were engaged and which were subsequently assumed by our Company
“Guotai Junan”	Guotai Junan Securities (Hong Kong) Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
“Highway Law”	Highway Law of the People’s Republic of China (《中華人民共和國公路法》)
“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 are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in, on the Hong Kong Stock Exchange

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“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK(IFRIC)-Int 12”	Hong Kong (International Financial Reporting Interpretation Committee) Interpretation 12 — Service Concession Arrangements
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by HKICPA
“HKIAC”	Hong Kong International Arbitration Centre
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Offer Share(s)”	the H Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on and subject to the terms and conditions described in this prospectus and the Application Forms (for details, please refer to the sub-section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus)
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the sub-section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 June 2018 relating to the Hong Kong Public Offering entered into by our Company and the Hong Kong Underwriters, for details, please refer to the sub-section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“ICBC International Capital”	ICBC International Capital Limited, licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Bookrunners
“ICBC International Securities”	ICBC International Securities Limited, licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Lead Managers
“Independent Third Party(ies)”	company(ies) or individual(s) not connected with (within the meaning of the Hong Kong Listing Rules) any of our Directors, Supervisors, chief executive or Substantial Shareholders of our Company or of any of its subsidiaries or their respective associates
“International Offer Shares”	the 450,000,000 H Shares initially offered by our Company for subscription or purchase pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S, for details please refer to the section headed “Structure of the Global Offering” in this prospectus
“International Underwriter(s)”	the group of international underwriter(s) expected to enter into the International Underwriting Agreement

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“International Underwriting Agreement”	the conditional international underwriting agreement relating to the International Offering and to be entered into by our Company and the International Underwriter(s) on or about the Price Determination Date, for details please refer to the sub-section headed “Underwriting — Underwriting Arrangements and Expenses — International Offering” in this prospectus
“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, for details please refer to the sub-section headed “Business — The Jihe Expressway” in this prospectus
“Jihe Expressway Company”	Shandong Jihe Expressway Company Limited* (山東濟滄高速公路有限公司), a 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* (山東濟滄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% equity interest of which was transferred by our Company to Qilu Service Development in April 2017
“Jihe Petroleum Equity Transfer Agreement”	an equity transfer agreement (股權轉讓協議) entered into between our Company and Qilu Service Development on 19 April 2017, pursuant to which our Company agreed to transfer and Qilu Service Development agreed to acquire all of our Company’s 51.00% equity interest in Jihe Petroleum from our Company. For details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring — Transfer of all of our Company’s 51.00% equity interest in Jihe Petroleum to Qilu Service Development” in this prospectus
“Jihe Service”	Shandong Jihe Expressway Service Company Limited (山東濟滄高速服務有限公司), a limited liability company incorporated in the PRC on 6 February 2005, the entire equity interest of which was transferred by our Company to Qilu Service Development in April 2017

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“Jihe Service Equity Transfer Agreement”	an equity transfer agreement (股權轉讓協議) entered into between our Company and Qilu Service Development on 18 April 2017, pursuant to which our Company agreed to transfer and Qilu Service Development agreed to acquire the entire equity interest in Jihe Service held by our Company. For details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring — Transfer of the entire equity interest in Jihe Service to Qilu Service Development” in this prospectus
“Jinan City AIC”	the Jinan City Administration for Industry and Commerce (濟南市工商行政管理局)
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer
“Joint Bookrunners”	Zhongtai International Securities, CSCI, Guotai Junan, CCB International, GF Securities, ICBC International Capital, ABCI Capital and SPDB International
“Joint Global Coordinators”	Zhongtai International Securities, CSCI, Guotai Junan, CCB International and GF Securities
“Joint Lead Managers”	Zhongtai International Securities, CSCI, Guotai Junan, CCB International, GF Securities, ICBC International Securities, ABCI Securities and SPDB International
“Joint Sponsors”	Zhongtai International Capital and CSCI
“km”	kilometer(s)
“Land Use Right Lease Agreement”	the agreement entered into between our Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to our Company the land use rights in respect of the land parcels of the Jihe Expressway. For details, please refer to the sub-section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules — (1) Land Use Right Lease Agreement” in this prospectus
“Latest Practicable Date”	20 June 2018, the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of our H Shares on the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Main Board of the Hong Kong Stock Exchange

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“Listing Date”	the expected date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange, expected to be on or about 19 July 2018 on which our Offer Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Listing Group”	our Group upon Listing
“Management Facilities”	the properties and fixed assets affixed thereto of the seven management centres and one maintenance and emergency response centre along the Jihe Expressway
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and former State Council Office for Restructuring the Economic System on 27 August 1994, as amended, supplemented or otherwise modified from time to time
“MEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MLR”	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOC”	the Ministry of Communications of the PRC (中華人民共和國交通部), which has been merged into MOT in 2008
“MOF” or “Ministry of Finance”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM” or “Ministry of Commerce”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOS”	Ministry of Supervision of the PRC (中華人民共和國監察部)
“MOT”	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
“MNR”	Ministry of Natural Resources of the PRC (中華人民共和國自然資源部)
“MEE”	Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部)

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“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-Competition Agreement(s)”	the non-competition agreement (避免同業競爭協議) entered into by our Company with each of Qilu Transportation and COSCO SHIPPING (Hong Kong) on 12 December 2017, respectively. For details, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Non-Competition Agreements between Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) and us” in this prospectus
“NPC”	the National People’s Congress (全國人民代表大會)
“Offer Price”	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Hong Kong Offer Shares are to be subscribed for under the Hong Kong Public Offering, to be determined as further described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the H Share(s) offered in the Global Offering, where relevant, including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriter(s), exercisable by the Joint Global Coordinators on behalf of the International Underwriter(s), at any time from the date of the International Underwriting Agreement until 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 75,000,000 additional H Shares, representing 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, the over allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	the Accounting Standards for Business Enterprises (企業會計準則) promulgated by the Ministry of Finance
“PRC Legal Advisers”	S&P Law Firm (北京市尚公律師事務所), the PRC legal advisers of our Company in connection with the Global Offering

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“PRC Property Law”	Property Law of the People’s Republic of China (《中華人民共和國物權法》)
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 12 July 2018 and, in any event, not later than Wednesday, 18 July 2018, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriter(s))
“Promoter(s)”	the Promoters of our Company, namely Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction
“Property Lease Agreement”	the agreement entered into between our Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to our Company a total of 45 properties used by the seven management centres and one maintenance and emergency response centre of our Company. For details, please refer to the sub-section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules — (2) Property Lease Agreement” in this prospectus
“Prospectus” or “prospectus”	this prospectus issued in connection with the Hong Kong Public Offering
“Province” or “province”	a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the Central Government
“Qilu Service Development”	Qilu Transportation Service Development Group Company Limited* (齊魯交通服務開發集團有限公司) (known as Qilu Transportation Service Development Company Limited* (齊魯交通服務開發有限公司) before 5 March 2018), a limited liability company incorporated in the PRC on 14 March 2016, a direct wholly-owned subsidiary of Qilu Transportation and being our connected person

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“Qilu Transportation”	Qilu Transportation Development Group Company Limited* (齊魯交通發展集團有限公司) (formerly named as “Qilu Transportation Development Company Limited (齊魯交通發展有限公司)”, and renamed to the current name on 26 November 2015), a limited liability company incorporated in the PRC on 30 June 2015 with 70%, 20% and 10% of its equity interest held by Shandong SASAC, Shandong Guohui and Shandong SSF, respectively, and being one of our Promoters and our Controlling Shareholders
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group (for details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation” in this prospectus), which include the conversion of the Jihe Expressway Company into a joint stock company with limited liability and the Subsidiary and Asset Restructuring
“Reporting Accountant”	PricewaterhouseCoopers (羅兵咸永道會計師事務所)
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SASAC”	Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SDRC”	Shandong Provincial Development and Reform Committee (山東省發展和改革委員會)
“Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》)

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“Service Areas and Parking Areas”	collectively, three pairs of service areas adjacent to the Jihe Expressway, namely Changqing Service Area (長清服務區), Dongping Service Area (東平服務區) and Liangshan Service Area (梁山服務區), and two pairs of parking areas adjacent to the main line of the Jihe Expressway, namely Pingyin Vehicle Parking Area (平陰停車區) and Shahe Vehicle Parking Area (沙河停車區)
“Service Facilities”	the properties, structures and fixed assets affixed thereto of the Service Areas and Parking Areas, including petrol or gas stations, offices, shops, restaurants, accommodation, recreational and other facilities in the Service Areas and Parking Areas
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shandong AIC”	Shandong Administration for Industry & Commerce (山東省工商行政管理局)
“Shandong Construction”	Shenhua National Power Shandong Construction Group Limited* (神華國能山東建設集團有限公司), a company incorporated in the PRC with limited liability on 23 June 2003, a direct wholly-owned subsidiary of Shenhua National Power Group and being one of our Promoters. It was formerly known as Shandong Luneng Infrastructural Engineering Investment Company Limited* (山東魯能基礎工程投資有限公司) and changed its name to Shandong Luneng Construction Group Company Limited* (山東魯能建設集團有限公司) on 13 February 2006, which then changed its name to Guowang Resources Shandong Construction Group Company Limited* (國網能源山東建設集團有限公司) on 28 March 2011 and changed to its current name on 4 January 2013
“Shandong Guohui”	Shandong Guohui Investment Company Limited* (山東國惠投資有限公司), a limited liability company incorporated in the PRC on 12 January 2016, the entire equity interest of which is held by Shandong SASAC
“Shandong Highway Bureau”	Highway Bureau of the Shandong Provincial Traffic Transport Department (山東省交通運輸廳公路局), formerly known as the Highway Bureau of the Shandong Provincial Transport Department (山東省交通廳公路局)

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“Shandong Provincial Government”	the Shandong Provincial People’s Government
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會)
“Shandong SSF”	Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會)
“Shandong Transport Department”	Shandong Provincial Traffic Transport Department (山東省交通運輸廳), formerly known as Shandong Provincial Transport Department (山東省交通廳)
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of our Shares
“Shenhua National Power Group”	Shenhua National Power Group Company Limited* (神華國能集團有限公司), a limited liability company incorporated in the PRC on 29 April 2008 and a direct wholly-owned subsidiary of China Energy Investment
“Shunguang Culture Media”	Shandong Shunguang Culture Media Company Limited* (山東舜廣文化傳媒有限公司), a limited liability company incorporated in the PRC on 15 January 2015, the entire equity interest of which was transferred from Jihe Service to our Company in April 2017
“Shunguang Culture Media Equity Transfer Agreement”	an equity transfer agreement (股權轉讓協議) entered into between Jihe Service and our Company on 18 April 2017, pursuant to which Jihe Service agreed to transfer the entire equity interest in Shunguang Culture Media held by it to our Company. For details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring — Transfer of the entire equity interest in Shunguang Culture Media to our Company” in this prospectus
“Sinopec Corp”	China Petroleum & Chemical Corporation* (中國石油化工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 25 February 2000, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00386) and the Shanghai Stock Exchange (stock code: 600028), respectively, and with its American depositary receipts listed on the New York Stock Exchange and the London Stock Exchange (stock code: SNP)

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“Sinopec Marketing”	Sinopec Marketing Co., Ltd.* (中國石化銷售有限公司), a sino-foreign limited liability company incorporated in the PRC on 15 March 1985 with approximately 70.42% of its equity interest held by Sinopec Corp
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
“SPDB International”	SPDB International Capital Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Bookrunners and the Joint Lead Managers
“sq.m.”	square metre
“Stabilising Manager”	Zhongtai International Securities Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Subsidiary and Asset Restructuring”	the restructuring arrangements carried out by our Group (for details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring” in this prospectus) which formed part of the Reorganisation
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	our supervisory committee established pursuant to the Company Law, for details, please refer to the section headed “Directors, Supervisors, Senior Management and Employees” in this prospectus
“Takeovers Code of Hong Kong”	the Codes on Takeovers and Mergers and Share Buybacks published by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Toll Approval”	the Approval for the Toll Rate for Vehicles on the Jihe Expressway (Lu Jia Fei Fa [2007] No. 183) (《關於濟滄高速公路車輛通行費收費標準的批覆》(魯價費發[2007]183號)) jointly issued by the Shandong Provincial Price Bureau (山東省物價局) and the Shandong Transport Department in September 2007
“Track Record Period”	the three years ended 31 December 2017
“Trademark License Agreement”	the agreement entered into between our Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to grant a license to our Company to use its three trademarks registered in Hong Kong at nil consideration. For details, please refer to the sub-section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules — (1) Trademark License Agreement” in this prospectus
“Traffic Consultant” or “WB Group”	WB Group International Limited, an independent traffic consultant
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Foreign Share(s)”	unlisted ordinary share(s) of RMB1.00 each in the share capital of our Company held by COSCO SHIPPING (Hong Kong) before Listing
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Zhongtai International Capital”	Zhongtai International Capital Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and being one of the Joint Sponsors
“Zhongtai International Securities”	Zhongtai International Securities Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers

* *for identification purposes only*

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to us and as they are used in this prospectus in connection with our business or us. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“4G”	acronym for fourth generation of mobile communication standards, a mobile communications standard providing mobile phones, computers, and other portable electronic devices with wireless access to the internet
“alternative route identification and allocation system”	a system identifying the expressway route vehicles have passed through with license plate identification points installed along the expressway for calculating and allocating toll fees. For details, please refer to the sub-section headed “Business — Expressway Operations — Toll Collection — Toll Allocation by the Expressway Toll Settlement Centre” in this prospectus
“automobile ownership”	the total number of registered vehicles in a certain area
“average daily traffic flow”	total daily traffic flow of an expressway
“Belt and Road Initiative”	the trading policy of the PRC Government aimed at linking China to the world and to facilitate the trading between China and its neighbouring Asian and European countries along the new silk road
“Build — Operate — Transfer model”	a model under which the government may enter into a concession agreement with a project company for certain infrastructure projects. The project company is responsible for the investment, financing, construction and maintenance and repair of the project. During the concession period under the concession agreement, the project company is allowed to obtain financing for the construction of and operate the specific public infrastructure. The project company is also allowed to collect fee from users thereof or sell its products to repay its debts, recover its investments and gain profits. Upon expiry of the concession period the project company as required to transfer the public infrastructure to the government at nil consideration
“class I highway”	a multi-lane highway with dividers to separate vehicles travelling in different directions and with access control to regulate traffic flow. The designed annual average daily traffic capacity of class I highway is more than 15,000 small passenger vehicles

GLOSSARY OF TECHNICAL TERMS

“class II highway”	a double lane highway for vehicles. The designed annual average daily traffic capacity of class II highway is 5,000 to 15,000 small passenger vehicles
“class III highway”	a double lane highway for vehicles and non-vehicle traffic. The designed annual average daily traffic capacity of class III highway is 2,000 to 6,000 small passenger vehicles
“class IV highway”	a double or single lane highway for vehicles and non-vehicle traffic. The designed annual average daily traffic capacity of double lane class IV highway is less than 2,000 small passenger vehicles and the designed annual average daily traffic capacity of single lane class IV highway is less than 400 small passenger vehicles
“class 1 vehicle”	truck of 2 tons or less and passenger vehicle with 7 seats or less
“class 2 vehicle”	truck of 2 to 5 tons (including 5 tons) and passenger vehicle with 8 to 19 seats
“class 3 vehicle”	truck of 5 to 10 tons (including 10 tons) and passenger vehicle with 20 to 39 seats
“class 4 vehicle”	truck of 10 to 15 tons (including 15 tons), 20-foot container vehicle and passenger vehicle with 40 seats or above
“class 5 vehicle”	truck of 15 tons or above and 40-foot container vehicle
“closed system”	a toll system in which all vehicles entering the system are known and recorded, and for which tolls are calculated by reference to the distance travelled on the expressway
“electrical and mechanical engineering”	the development, maintenance and repair, upgrade and reform of the expressway information management systems (i.e. monitoring system, communication system and toll collection system)
“Eleventh Five-year Plan”	a series of national economic and social development policies and guidelines which were adopted by the PRC Government to determine and implement the objectives of China’s economic and social development from 2006 to 2010
“engineering technology application researcher”	senior research engineer, a senior technical professional title in the engineering field in China and one of the highest ranks among all senior engineering professional titles

GLOSSARY OF TECHNICAL TERMS

“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for the vehicle to stop for payment
“ETC card”	an IC card used for payment of expressway tolls under the electronic toll collection system, being either an ETC charge card or an ETC prepaid card
“ETC charge card”	an IC card used by a vehicle owner for payment of expressway tolls. No immediate payment is required upon the presentation of the card. The system will, based on computer records for the use of expressway automatically deduct the relevant fees on a periodic basis from the bank account designated by the vehicle owner to be linked with the card
“ETC prepaid card”	an IC card used for payment of expressway tolls. The electronic wallet attached to the card is first topped up by the card holder. No cash payment is required upon presentation of the card for toll payment at the expressway. The tolls are directly deducted from the digital wallet
“expressway”	a multi-lane highway with dividers to separate vehicles travelling in different directions and with access control to regulate traffic flow. The designed annual average daily traffic capacity of an expressway is more than 15,000 small passenger vehicles
“expressway pass”	an IC card used to record the entry information of a vehicle using the MTC system for passing through the expressway and toll payment, such card being issued to the driver on entry and returned by the driver at the exit of the expressway. The card carries information of the vehicle passing through the expressway including license plate number, vehicle type, vehicle classification, the point of entry to the expressway and the time of entry to the expressway. The driver has to present the card at the exit for toll payment, whereby the tolls are collected by reference to the distance travelled on the expressway, calculated in accordance with the data recorded in the card
“Expressway Toll Settlement Centre”	Expressway Toll Settlement Centre of the Shandong Provincial Traffic Transport Department, a functional department under the Shandong Transport Department, which is the administrator of the Shandong provincial expressway network toll collection system, and is responsible for the toll record, toll management and toll entitlement allocation of the expressways in Shandong Province
“GFA”	gross floor area

GLOSSARY OF TECHNICAL TERMS

“government-repaying-loan toll road/expressway”	a toll road/expressway constructed by the competent transportation department of the people’s government at or above the county level, through making use of loans or raising funds with enterprises or individuals
“grand bridge”	a multi-span highway bridge with a total span length of over 1,000 metres or a single-span highway bridge with a total span length of over 150 metres
“highway”	according to the Technical Standards of Highway Engineering (JTG B01–2014) promulgated by the MOT, highways include the following five types: <ol style="list-style-type: none">1. expressway;2. class I highway;3. class II highway;4. class III highway; and5. class IV highway
“IC card”	a smart card utilising contactless integrated circuit technology which is used to record and determine information relevant to the computation of tolls
“license plate identification points”	a system that allows real-time identification of license plates information of vehicles passing along the expressway through surveillance cameras installed at specific points along the expressway
“major industrial enterprises”	industrial enterprises with their respective operating revenue of not less than RMB20 million
“MTC system”	manual toll collection system
“national highway(s)”	the abbreviation of “trunk roads at the state level”, which are major trunk roads with political and economical significance at the state level, including major defense highways, highways linking the state capital and the respective capital cities of the provinces and autonomous regions as well as the municipalities directly under the Central Government, and the highways connecting economic centres, traffic hubs and port terminals, production bases and areas of strategic importance

GLOSSARY OF TECHNICAL TERMS

“National Expressway System”	a network of expressways in the PRC composed of seven expressways originating from Beijing (capital radial lines), 11 vertical expressways generally traversing north to south (vertical lines) and 18 horizontal expressways generally spanning east to west (horizontal lines) as proposed in the National Highway Network Plan (2013–2030) promulgated by the NDRC
“nine districts/counties under four cities in Shandong Province”	the nine districts and counties, namely Shizhong district in Jinan City, Changqing district in Jinan City, Pingyin County, Dongping County, Wenshang County, Liangshan County, Jiaxiang County, Juye County and Yuncheng County under the four cities in Shandong Province, namely Jinan City, Tai’an City, Jining City and Heze City
“OBU”	on-board unit, a device installed in a vehicle for recording data for the vehicle and communication with specific devices installed in the ETC toll lanes by way of microwave signals. The on-board unit must be used in conjunction with the ETC card to allow non-stop drive through on the ETC lanes
“operative toll road/expressway”	a toll road/expressway constructed with the investment of domestic or foreign economic organisations or a government-repaying-loan toll road/expressway for which the toll collection rights have been assigned to domestic or foreign economic organisations in accordance with the Highway Law
“PQI”	pavement quality index, an industry-wide standard index for assessment of pavement conditions based on pavement performance, road damage, riding quality, pavement rutting and pavement skid resistance
“provincial highway(s)”	the abbreviation of “trunk roads at the level of provinces, autonomous regions or municipalities directly under the Central Government”, which are the trunk roads within a province with provincially (or autonomous regionally or municipally) political and economical significance and connecting major cities and major economic areas of the province (or autonomous region or municipality directly under the Central Government), and the major inter-provincial (or autonomous regional or municipal) trunk roads that are not classified as national highways

GLOSSARY OF TECHNICAL TERMS

“Shandong 9-5-1-7 Expressway Network”	the “nine-vertical; five-traverse; one-ring and seven-connection (九縱五橫一環七連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2014-2030) (《山東省高速公路網中長期規劃(2014-2030)》) promulgated by the Shandong Provincial Development and Reform Committee, whereby the total length of expressways under the network will be more than 8,300 km and such network will further enhance the economic and social development and meet the transportation need in the future
“small passenger vehicle”	passenger vehicle with 19 seats or less and truck with capacity of 2 tons or less
“stack interchanges”	a structure built across intersecting road(s) to realise spatial separation among the intersecting roads, such structure being predominantly used at the intersections of trunk roads (including highways) for the purpose of traffic conversion among the truck roads
“Twelfth Five-year Plan”	a series of national economic and social development policies and guidelines which were adopted by the PRC Government to determine and implement the objectives of China’s economic and social development from 2011 to 2015
“Thirteenth Five-year Plan”	a series of national economic and social development policies and guidelines which were adopted by the PRC Government to determine and implement the objectives of China’s economic and social development from 2016 to 2020
“traffic flow”	total traffic flow of a particular expressway being the sum of (i) the number of vehicles entering and leaving from the expressway’s toll stations; (ii) the number of vehicles leaving but not entering from the expressway’s toll stations; (iii) the number of vehicles entering the expressway but leaving from other expressways; and (iv) the number of vehicles passing through the expressway but not entering or leaving from the expressway’s toll stations, within a particular time period
“toll road”	a highway which recovers the cost of construction, maintenance and investment of the highway infrastructure by way of collecting tolls directly from the highway users

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution policies;
- our plans, particularly project and plans relating to the upgrade of the Jihe Expressway;
- our operations and business prospects, including development plans for our existing and new businesses;
- our financial condition and results of operations;
- the future competitive environment for the toll road industry in the PRC;
- the regulatory environment as well as the general industry outlook for the toll road industry in the PRC;
- future development of the toll road industry in the PRC; and
- the general economic trend of the PRC.

The words such as “anticipate”, “believe”, “may”, “estimate”, “expect”, “aim”, “predict”, “going forward”, “intend”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and “could” and the negative thereof and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are a PRC company, that all of our business is conducted in the PRC and that we are governed by a legal and regulatory environment which in some respects may differ from those in other countries. There are risks associated with investing in our H Shares not typical of investment in the capital stock of companies incorporated and/or engaging business in Hong Kong or other jurisdiction. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to the sections headed “Regulatory Overview” and “Appendix VI — Summary of Principal Legal and Regulatory Provisions” to this prospectus. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us. You should also refer to other information contained in this prospectus, including the financial statements and the related notes.

This prospectus also contains forward-looking statements that identify certain risks and uncertainties. For further details, please refer to the section headed “Forward-looking Statements” in this prospectus.

We believe that there are certain risks and uncertainties in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial conditions, results of operations, our ability to meet our financial obligations and/or the value of our H Shares.

RISKS RELATING TO OUR BUSINESS

We rely on a single expressway project for substantially all of our revenue and profits from our Continuing Operations, exposing us to business concentration risks.

At present, the Jihe Expressway project is the only expressway project operated by our Group. Our revenue from the Continuing Operations is derived principally from the Jihe Expressway operations comprising mainly toll income and accounting for approximately 99.95%, 99.73% and 99.67% of our revenue from the Continuing Operations for the three years ended 31 December 2017, respectively. Our revenue is, and we expect to be, prior to the realisation of an acquisition opportunity should it arise in the future, concentrated from the Jihe Expressway operations. Therefore, we may be susceptible to factors adversely affecting our toll income such as the construction and opening to traffic of competing roads and alternative modes of transport, the applicable toll rate and the traffic flow and mix of the Jihe Expressway, which may further depend on the development of the cities and

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counties to which the Jihe Expressway connects and, in general, the economic development of Shandong Province. Many of the above factors are subject to government policies and systems and are beyond our control. In addition, the occurrence of any force majeure events may have significant influence on the traffic flow of the Jihe Expressway, which would in turn affect our toll income. For details, please refer to the sub-section headed “Risks relating to our Business — Capital expenditures on, and operation of, the Jihe Expressway is subject to events beyond our control.” in this section of the prospectus. As a result of our business concentration, any factor affecting the tolls may create a material adverse impact on our business, financial conditions, results of operations and prospects.

Our business is geographically concentrated and our business and results of operations depend heavily on the economic and social conditions and the prosperity of the PRC, particularly of Shandong Province.

Our performance is affected by the general economic and social conditions of the PRC, particularly of Shandong Province, which are affected by various general economic and social conditions beyond our control, including GDP growth rate, government policies, levels of inflation, employment rates and interest rates. A downturn or expectation of a slowdown in economic activities and a slow GDP growth in the PRC and a change of the social conditions of the PRC could affect the general demand for transportation in the PRC.

Our principal activities are the construction, maintenance, operation and management of the Jihe Expressway, the only expressway operated by our Group for the time being. The whole route of the Jihe Expressway is located in Shandong Province. For details, please refer to the sub-section headed “Business — The Jihe Expressway — The Road” in this prospectus. We expect to continue our operations of the Jihe Expressway in the future, therefore our business will continue to be geographically concentrated in Shandong Province.

Our Directors believe that our business, financial conditions, results of operations and prospects will continue to be affected by (i) the economic and social development of Shandong Province such as its urbanisation process, the purchasing power of residents and the development of logistics industry; and (ii) the continued support of the national and local governments in the development and operations of expressways under the Belt and Road Initiative and the relevant policies. However, we cannot assure you that the development in Shandong Province will be sustained as anticipated, or that the macro- or local economic environment or the policies of the PRC Government or the Shandong Provincial Government on expressways will not change. If Shandong Province and/or the PRC experiences any adverse economic, social, political or regulatory conditions due to events beyond our control, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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Reduction of the traffic flow or the rate of growth in traffic flow could adversely affect us.

Toll income of the Jihe Expressway and our profit are principally dependent upon the number and classes of motor vehicles using the Jihe Expressway and the applicable toll regime. The number and classes of motor vehicles using the Jihe Expressway are to a large extent dependent on factors outside our control, including:

- the toll rate;
- the mix between different vehicle classes using the Jihe Expressway;
- the enforcement of truck weight limits;
- changes in the governments' toll exemption policies;
- capacity constraints on the number of vehicles and the mix of different vehicle classes that can efficiently use the Jihe Expressway in any given period;
- the occurrence of accidents;
- road closures or restricted access;
- the occurrence of natural disasters, such as floods, earthquakes, fires and landslides;
- weather conditions that can make driving difficult or dangerous, such as heavy snowfall, fog or heavy rain with hails;
- the availability, quality and proximity of the Jihe Expressway compared to alternative expressways that are substantially parallel with us and other competing modes of transportation, such as aviation, waterways and railways;
- the maintenance quality of a connecting road;
- general technical standards applicable to national and provincial highways;
- fuel prices;
- vehicle prices and the cost of owning and operating vehicles;
- population growth, growth of automobile ownership and the number of people of driving age;
- environmental laws or regulations, including restrictions in the use of vehicle;
- general development of Shandong Province and cities and townships served by the Jihe Expressway; and
- general economic conditions in the PRC.

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The volume of traffic on an expressway is also influenced by the extent of such expressway's connection with other parts of the local and national highway and expressway networks and their level of maturity. The Jihe Expressway connects with multiple national expressways and major feeder roads, and its traffic flow is influenced by the road and traffic condition of such connecting roads. For details, please refer to the sub-section headed "Business — The Jihe Expressway — The Road" in this prospectus. However, our control over such roads and their traffic conditions is limited. In addition, we cannot assure you that future changes in the highway and expressway systems and networks will not affect the traffic flow on the Jihe Expressway. If there is any circumstance occurring on the road, highway and expressway systems and networks to which the Jihe Expressway is connected causes any adverse effect to the traffic flow of the Jihe Expressway, our business, financial conditions, results of operations and prospects may be materially and adversely affected. For details, please refer to the paragraph headed "Our revenue and profitability may be affected by the existence and development of competing alternative routes." in this sub-section of the prospectus.

The toll rates of the Jihe Expressway are subject to regulation by the national and provincial government authorities, which may have an adverse effect on our toll income.

All toll rates charged by our Group are subject to regulation by the national and provincial government authorities. Any adjustment to toll rates shall be approved by the Shandong Provincial Government after being reviewed by the Shandong Provincial Price Bureau and the Shandong Transport Department. The Shandong Provincial Government, the Shandong Provincial Price Bureau and the Shandong Transport Department take into account various factors, including the toll rates of comparable toll roads and expressways in the same region, the prevailing inflation and interest rates, the traffic flow and the affordability to users.

Tolls from the Jihe Expressway charged by our Group are based on the toll rates of expressways with the same conditions in Shandong Province, which are currently determined pursuant to 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)) (the "Notice on Regulating Relevant Matters of Toll Rates") jointly issued by the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department on 27 December 2017. The same toll rates apply to all expressways (save grand bridges and tunnels) in Shandong Province (including the Jihe Expressway and the 47 expressways held, directly and indirectly, by Qilu Transportation as set out in the sub-section headed "Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Interests of Qilu Transportation in Highways" in this prospectus) are governed by the Notice on Regulating Relevant Matters of Toll Rates. For details, please refer to the sub-section headed "Business — Expressway Operations — Toll Rates" in this prospectus. However, there can be no assurance that the same-toll-rate policy for all expressways in Shandong Province will not have any change in the future. Pursuant to the Concession Agreement, with the approval of the relevant government authorities, we can apply for adjustment of toll rates within the Concession Period. However, there is no assurance that any proposed

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adjustment application will be approved by the relevant authorities. There can also be no assurance that the relevant government authorities will request us to reduce the toll rates without prior consultation with us. The relevant authorities may lower the toll rates of specific vehicles or lower the toll rates for a specific period, or even exempt the tolls.

Furthermore, there can be no assurance that the PRC Government or the Shandong Provincial Government will not issue new regulations or otherwise take any other actions and interpretations of existing rules and regulations that could impair our Concession Rights. Also, there can be no assurance that the national and provincial government authorities will not request our Company to reduce its toll rates. For example, during the Track Record Period, the toll rates of all expressways in Shandong Province (including the Jihe Expressway) were governed by the Notice on the Policy of Publication of Tolls (Lu Jia Fei Fa [2006] No. 43) (《關於明確收費公路車輛通行費徵收政策的通知》(魯價費發[2006]43號)) (the “**Toll Policy Notice**”) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department with a trial period of one year from 1 April 2006. The Notice on Continuing the Implementation of the Policy of Publication of Tolls (Lu Jia Fei Fa [2007] No. 82) (《關於繼續執行收費公路車輛通行費徵收政策的通知》(魯價費發[2007]82號)) (the “**Notice on Continuing the Implementation of the Toll Policy Notice**”) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department in 2007 promulgated the formal implementation of the toll rates set out in the Toll Policy Notice from 1 April 2007. From 28 June 2011 to 31 December 2017, the minimum toll of all expressways (save grand bridges and tunnels) in Shandong Province (including the Jihe Expressway) was lowered to RMB5 per vehicle pursuant to the Notice on Lowering the Minimum Toll Rate of Expressway (Lu Jia Fei Fa [2011] No. 101) (《關於降低高速公路車輛通行費最低收費標準的通知》(魯價費發[2011]101號)) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department (the “**Notice on Lowering Minimum Toll Rate**”). On 27 December 2017, the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department jointly issued the Notice on Regulating Relevant Matters of Toll Rates to be effective from 1 January 2018, superseding the Toll Policy Notice (as extended by the Notice on Continuing the Implementation of the Toll Policy Notice) and the Notice on Lowering Minimum Toll Rate. Comparing with the two notices above, the maximum loading for two-axle vehicles and four-axle vehicles changed from 17 tons to 18 tons and from 37 tons to 36 tons, respectively, under the Notice on Regulating Relevant Matters of Toll Rates. For details, please refer to the sub-section headed “Business — Expressway Operations — Toll Rates” in this prospectus. The Notice on Regulating Relevant Matters of Toll Rates remained effective as at the Latest Practicable Date. There can also be no assurance that our Concession Rights and/or the terms of the Concession Agreement will not be altered at the request of the relevant government authorities without our consent pursuant to such regulations, actions and interpretations. In the event that our Concession Rights are limited or imposed with onerous requirements or the Concession Agreement or our Concession Rights are otherwise adjusted by the PRC Government or the Shandong Provincial Government but no compensation is provided to us in accordance with the Concession Agreement or the applicable laws, rules and regulation, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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Our Concession Rights for the operation of our business will expire in a certain period of time or may be terminated before expiration.

We are principally engaged in the construction, maintenance, operation and management of the Jihe Expressway and toll collection from vehicles passing through the Jihe Expressway. Toll income constitutes a major part of our revenue. Our Concession Rights are valid for 30 years from 26 September 2004, the date of the Concession Agreement, to 25 September 2034, which may be terminated prior to the expiry date. Pursuant to the Concession Agreement, upon the expiry of the Concession Period, the Jihe Expressway and its ancillary facilities and all documentations, technology and information technology in relation to the operation, maintenance and repair of the Jihe Expressway, among other things, shall be transferred to the Shandong Transport Department. In addition, the Concession Agreement may be terminated before expiration under certain circumstances. For details regarding the major terms of the Concession Agreement, please refer to the sub-section headed “Business — The Jihe Expressway — Concession Agreement” in this prospectus.

Our Company was established in January 2004. However, pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》) which came into effect in November 2004, the term for toll road concession rights shall be decided pursuant to the principle of full recovery of investment costs and reasonable investment return, but the toll collection period for operative toll roads, shall not be longer than 30 years for those in provinces in the central and western regions designated by the PRC Government and 25 years for those in the other provinces in China. On 10 June 2011, the MOT, the NDRC, the MOF, the MOS and the Office of Redressing Industry Malpractices of the State Council jointly issued the Notice on Specified Work on Correcting the Toll Collection of Toll Roads (《關於開展收費公路專項清理工作的通知》) (the “**Joint Notice**”). Pursuant to the Joint Notice, the provincial government will lead the work of correcting illegal and unreasonable toll collection and cancel the projects of which the authorised period for toll collection has expired. In December 2012, the MOT issued the Emergency Notice on Expediting the Cleaning Up of the Toll Road Relevant Issues Rectification Work Progress and Submitting the Relevant Materials (《關於加快收費公路專項清理相關問題整改工作進度並報送有關材料的緊急通知》), urging the provincial government to expedite the correction process. We have been advised by our PRC Legal Advisers that Shandong Province is not designated as a province in the central or western regions. Even though our Company obtained our Concession Rights prior to when the Regulations on the Administration of Toll Roads came into effect, the relevant government authority has the right to require us to reduce the toll collection period within the Concession Period from 27 years to 25 years, which would materially and adversely affect our Group’s prospects. In 2015, the MOT published a proposed amendment to the Regulations on the Administration of Toll Roads, which would allow the concession periods for certain toll roads to be extended to no less than 30 years. However, the proposed amendment has not been put into effect as at the Latest Practicable Date. Therefore, the impact of the Regulations on the Administration of Toll Roads on the Jihe Expressway is uncertain before the proposed amendment take effects. For details, please refer to the sub-sections headed “Regulatory Overview — Laws and Regulations in relation to Highways” and “Business — The Jihe Expressway — Concession Agreement” in this prospectus.

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We also cannot assure you that the Concession Agreement will not be terminated before or upon its expiration. If the Concession Agreement is terminated or revoked for whatever reasons, or should the relevant government authorities require us to surrender our Concession Rights, and we are not able to continue our operations on other expressways which are comparable to our existing operations on the Jihe Expressway, our business, financial conditions and results of operations and prospects would be materially and adversely affected.

Our revenue and profitability may be affected by the existence and development of competing alternative routes.

Traffic flow is directly and indirectly affected by a number of factors, including but not limited to the existence, proximity, design and actual speed, level of traffic flow, road conditions, affordability and efficiency of competing alternative routes.

Whereas the design, construction and operation of any new highways and expressways, and the alteration of the design of current highways and expressways in the PRC are subject to prior approvals from the competent PRC authorities which are beyond our control, there can be no assurance that alternative routes that exempt tolls or impose lower or no tolls will not be developed, or that alternative means of transport competing with the Jihe Expressway will not be constructed or developed in the future.

According to the Concession Agreement, the Shandong Transport Department, as authorised by the Shandong Provincial Government, has undertaken to our Company that no new high-class expressway of the same direction will be built (whether by the Concession Authority or through a third party) within an area of 50 km on both sides of the Jihe Expressway. There can be no assurance that the provincial and municipal government authorities or higher authorities will not approve projects that will divert the traffic flow of the Jihe Expressway or projects of alternative means of transportation.

The competition relationship of an expressway is generally considered on the basis of geographical region, direction and efficiency. For details, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Jihe Expressway project has the general characteristics of the expressway industry” in this prospectus. Any construction works of alteration and expansion of nearby highways, expressways and local roads, as well as the opening to traffic of new roads and further expansion or improvement of highway and expressway network or alternative roads could affect the traffic flow of the Jihe Expressway. The existence and development of alternative routes may adversely affect our business, financial conditions, results of operations and prospects.

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We have not obtained the certificates of title for the self-owned properties and our lessor has not obtained the appropriate certificates of title for our leased properties which may adversely affect our right to use such properties.

As at the Latest Practicable Date, our Group had 82 self-owned properties with an aggregate GFA of 9,323.99 sq.m. Our Group has not yet obtained the building ownership certificates in respect of these properties. The developers of such properties are applying for the title certificates of such properties and undertake that the title certificates will be obtained and delivered to our Company before certain dates. However, there can be no assurance that the title certificates of all these properties can be obtained by the developers or by us. There can also be no assurance that the legality of our use and occupation of these properties will not be challenged. If our Group fails to obtain the title certificates and cannot continue to use such properties, we may incur additional expenses to relocate to other premises and our business, financial conditions, results of operations and prospects would be adversely affected.

As at the Latest Practicable Date, our Group leased a total of 45 properties with aggregate GFA of 26,427.59 sq.m., including seven management centres and one maintenance and emergency response centre of the Jihe Expressway. Qilu Transportation, the lessor, has not obtained the building ownership certificates of such properties. Our lease interest in these properties may not be entirely protected and there can be no assurance that the legality of our use and occupation of the leased properties will not be challenged. In the event of a challenge raised by a third party as to the ownership of these leased properties, which in turn affects our lease interest or even leads to the termination of the lease, our Group may incur additional expenses to look for or relocate to other premises and our business, financial conditions, results of operations and prospects would be adversely affected.

For details of the properties of our Group, please refer to the sub-section headed “Business — Land Use Rights and Property Interests — Property Interests” in this prospectus.

We may be subject to cash misappropriation by the employees or third parties and may have to invest in tighter control mechanisms.

As the Jihe Expressway has toll stations that include manual collection of tolls, we usually receive and handle large amounts of cash in our daily operations. The bank at which we maintain a designated bank account for deposit of the daily-collected cash tolls engages a security company which arranges designated escort officers to collect the cash toll from each of our seven management centres. For details regarding our toll collection operations, please refer to the sub-section headed “Business — Expressway Operations — Toll Collection” in this prospectus. While we have in place internal controls and seek to increase the use of ETC and automatic toll collection devices, our business is subject to the risk of toll misappropriation and reckless behaviour of our employees, the escort officers or the bank staff and there can be no assurance that instances of fraud, theft or other misconduct involving employees, road users or other third parties will not take place. Any misconduct

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committed against our interests, which may include past and/or future undetected acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, financial conditions, results of operations and prospects.

An increase in interest rates may increase our finance costs and compromise our profitability.

We made substantial financing arrangements during the initial phase of the Jihe Expressway project and we relied on certain bank loans guaranteed by the Shandong Transport Department with a total of approximately RMB2,950 million drawn down from September 2005 onwards to finance the construction of the Jihe Expressway. Among those bank loans, two were converted from guaranteed loans into credit loans in November 2016 and one was replaced with two credit loans obtained from two other PRC banks (collectively the “**Bank Loans**”). For the three years ended 31 December 2017, our net finance costs were approximately RMB96.9 million, RMB69.0 million and RMB42.8 million, respectively. As at 31 December 2015, 2016 and 2017, respectively, the outstanding balance of the Bank Loans was approximately RMB1,515.0 million, RMB1,300.0 million and RMB825.0 million, respectively. For details, please refer to the sub-section headed “Financial Information — Indebtedness” in this prospectus. As at 31 December 2015, 2016 and 2017, respectively, our gearing ratio, calculated by dividing the total borrowings of our Group by the total equity of our Group as at the end of the relevant year, was approximately 0.78 times, 0.58 times and 0.33 times, respectively. We expect the outstanding Bank Loans will only be repaid in full by November 2021.

All of the above Bank Loans bear floating interest rates, which are affected by the fluctuation of benchmark loan interest rates with various maturity terms. Since 1 January 2015, the PBOC has adjusted the benchmark loan interest rate downward five times, which has in turn reduced our cost of financing. The current applicable interest rate is the rate issued on 24 October 2015. Accordingly, changes in the benchmark loan interest rate have affected, and will continue to affect, our finance costs and profitability. We cannot assure you that the PBOC will not raise the benchmark loan interest rate in the future, which may increase our finance costs and thereby adversely affect our business, financial conditions, results of operations and prospects.

We are restricted by covenants in our financing agreements.

We have relied on the Bank Loans to finance the construction of the Jihe Expressway. The agreements for the Bank Loans typically include material covenants such as requirements to promptly notify the lending banks in the event of material adverse changes in our operations and financial conditions as well as restrictions on the loan purposes. We are typically required to obtain the relevant lending banks’ prior written consent before we conduct reorganisations, mergers, demergers, joint ventures, capital reductions, equity transfers, transfers of major assets, external investments, increases of debt financing or other actions that may affect our ability to repay the loans.

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We cannot assure you that we will always be able to obtain the lending banks' consent for any of the activities restricted by the covenants. If we engage in such activities and fail to obtain such consent, our business may be impeded. In addition, if we breach the restrictive covenants, make any misrepresentations or commit any other violation under our financing agreements, we may trigger an event of default, which in turn could lead to an acceleration of our loans or require us to compensate the lending banks for their losses, and as a consequence, our business, financial conditions, results of operations and prospects could be adversely affected.

Changes in the relevant accounting standards on the service concession arrangement and changes in our judgments and assumptions in applying these accounting standards may have material impacts on our financial position and results of operations.

We apply HK(IFRIC)-Int 12 and other relevant accounting standards on our service concession arrangement. These standards may be changed or amended in the future from time to time. Any changes in these accounting standards may result in changes in recognition, measurement and/or classification of our revenue, expenses, assets and liabilities that could have material impact on our financial position and results of operations. Besides, in the application of these accounting standards, we are required to apply our judgment and make estimates and assumptions for our revenue, expenses, assets, liabilities as well as our cash flow projections of our concession operation project. These estimates and assumptions are not readily apparent from other sources and are based on historical experience and other factors that are considered to be relevant. Should actual results be different from these estimates and assumptions, we may change these estimates and assumptions that would materially affect our financial position and results of operations.

We had net current liabilities during certain period within the Track Record Period and may incur net current liabilities in the future.

As at 31 December 2015, we recorded net current liabilities of approximately RMB194.0 million. It was mainly due to the decrease in cash and cash equivalents as a result of the significant payment of dividends for the year, leading to a net current liabilities position. For the two years ended 31 December 2017, with continuous cash inflow generated from our operations, the net current assets as at 31 December 2016 and 2017 amounted to approximately RMB20.8 million and RMB60.2 million, respectively. Our net current liabilities could have certain adverse impact on our business, including: (i) limiting our ability to repay our outstanding debt; (ii) making us more vulnerable to adverse changes in economic and industry conditions; (iii) limiting our flexibility in planning for or responding to the changes in our business and the industry; and (iv) limiting our ability to raise more funds in the future and/or increasing our cost of financing. Failure to repay our debt could result in the imposition of penalties, including, among other things, increases in interest rates that we pay on our debt and legal actions against us by our creditors, and could negatively impact our business, financial conditions and results of operations. Although we did not record any net current liabilities as at 31 December 2016 and 2017, respectively, we cannot assure you that there will not be any net current liabilities in the future.

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Our liquidity depends on cash and cash equivalents generated from our operations and our access to further financial resources to fulfill our short-term payment obligations, which will be affected by our future results of operations, prevailing economic conditions, and financial, business and other factors, many of which are beyond our control.

We recorded a significant amount of intangible assets during the Track Record Period, and we may incur significant impairment losses if the recoverability of these intangible assets is substantially compromised.

In September 2004, we and the Shandong Transport Department (as authorised by the Shandong Provincial Government to be a party to the Concession Agreement) entered into the Concession Agreement, pursuant to which we were granted the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) maintain, operate and manage the Jihe Expressway and its ancillary facilities. The Concession Agreement does not contain a renewal right as to the Concession Period. The construction costs of the Jihe Expressway and relevant infrastructures incurred by our Group were capitalised as our concession intangible assets which are amortised over the Concession Period by straight-line method. Concession intangible assets are stated at the construction cost of the Jihe Expressway and its ancillary facilities less accumulated amortisation and impairment losses. As at 31 December 2015, 2016 and 2017, our concession intangible assets were approximately RMB3,148.4 million, RMB2,991.7 million and RMB2,873.7 million, respectively, representing approximately 85.4%, 78.1% and 79.0% of the total assets of our Group, respectively. The relevant amortisation of concession intangible assets were approximately RMB166.4 million, RMB170.3 million and RMB170.4 million, respectively, for the three years ended 31 December 2017. No impairment loss was recognised for the concession intangible assets during the Track Record Period.

In accordance with HKAS 36 “Impairment of Assets”, our concession intangible assets are amortised over the respective estimated useful lives and an impairment assessment is only required if there are any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable. If there are any events or changes in circumstances indicating that their carrying amounts may not be fully recoverable, we shall estimate the recoverable amounts of our concession intangible assets. If our concession intangible assets are carried at more than their recoverable amounts, we will recognise impairment losses for them. Any significant impairment losses to be recognised as a result may have a material and adverse effect on our business, financial conditions, results of operations and prospects.

For details, please refer to the paragraphs headed “Concession Intangible Assets and Service Concession Arrangements” and “Impairment of non-financial assets” under the sub-section headed “Financial Information — Significant Accounting Policies and Estimates” in this prospectus.

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We intend to apply a significant portion of the net proceeds from the Global Offering to acquire or invest in road-related projects in the PRC which may increase our depreciation or amortisation expenses, and such acquisition may impair our return on total assets, return on equity, Shareholders' investment return and valuation of our Company.

In order to further expand and maintain the growth momentum of our Company, we intend to apply approximately HK\$659.71 million or approximately 50% of the net proceeds from the Global Offering (based on the mid-point of the Offer Price range) for equity or asset acquisition or investment in operative toll roads, bridges and relevant infrastructure projects or interests (the “**Infrastructure Projects**”). For details, please refer to the sub-sections headed “Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Whereas we did not have any specific acquisition or investment plans or targets as at the Latest Practicable Date, if we are presented with appropriate acquisition or investment targets, we may need to devote certain financial resources and management attention towards the assessment of such targets which include, among other things, estimating the expected return of and conducting feasibility study of the target projects. Further, we may experience operational and financial impact both prior to and after completion of such acquisitions or investments. Examples of such impact include diversion of management's attention from our Expressway Business, difficulties in integrating operations, corporate cultures and personnel of the acquisition targets into our Group, and possible incurrence of additional debt for financing for the acquisition or investment and/or supporting the operations of such acquired or invested Infrastructure Projects. In addition, after the acquisition of the Infrastructure Projects, their carrying amount may represent a substantial proportion of our total assets and we will recognise depreciation or amortisation for the carrying amount of the Infrastructure Projects. If the Infrastructure Projects cannot generate toll income as we have expected, the depreciation or amortisation of the carrying amount of the Infrastructure Projects may have an adverse effect on our financial results, which will in turn impair the valuation of our Company and the investment return of our Shareholders. Further, as our current business is geographically concentrated in Shandong Province, we may face further challenges arising from unfamiliar local conditions and regulatory practices if our acquired or invested projects are located outside Shandong Province. For more details of the operational and financial impact in relation to such acquisition or investment to our Group, please refer to the paragraphs headed “We may not be able to expand our business effectively through acquisitions and investments and there can be no assurance that all or any of our proposed acquisitions and investments will be consummated on commercially acceptable terms, or at all.” and “We may not be successful in managing our growth and expansion into the regions of the PRC outside Shandong Province.” under the sub-section headed “Risks relating to our Business” in this section of the prospectus. The occurrence of any of the above operational and financial impact may in turn materially and adversely affect our business, financial conditions, results of operations and prospects.

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By utilising the net proceeds from the Global Offering for acquisition or investment in the Infrastructure Projects, our Group may have to give up other available investment options that could yield higher investment returns due to limited funds. In light of (i) the new capital from the Global Offering which will enlarge our equity base, and (ii) no assurance can be given as to the ability of the Infrastructure Projects to generate revenue and profits for our Group after the completion of such acquisition or investment, it is possible that the returns on total assets and equity of our Group after such acquisition or investment may less likely be able to reach the same level of our historical return on total assets and return on equity during the Track Record Period. As such, following such acquisition or investment, our return on total assets and return on equity may be lowered.

We expect increased competition for a decreasing pool of expressway acquisition or investment opportunities.

One of our strategies is to pursue suitable acquisitions and investment opportunities in the PRC to consolidate our leading competitive position. Priority will be given to expressway projects in Shandong Province that are at least partially completed or currently in operation. For details regarding our acquisition strategies, please refer to the subsections headed “Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

We may experience increased competition for a decreasing pool of expressway acquisitions or investment opportunities as a result of government policy changes that exempt tolls on class II highways in Shandong Province. There can be no assurance that the policies to phase out toll collections will not be applied to expressways in the future. As part of our business strategies, we plan to make future expressway-related acquisitions and investments only in revenue-generating expressway projects. As the pool of expressway acquisitions or investment opportunities may further decrease as a result of a change in the government policy that expands the scope of toll-free roads, the competition for these expressway acquisitions or investments may further increase, and other expressway operators may have greater financial resources than we do. As a result, we may not be able to make future investments in or acquisitions of expressway projects on terms that are favourable to us, or at all, which may adversely affect our business, financial conditions, results of operations and prospects.

We may not be able to expand our business effectively through acquisitions and investments and there can be no assurance that all or any of our proposed acquisitions and investments will be consummated on commercially acceptable terms, or at all.

Our future development depends, among other things, on our ability to achieve expansion through acquisitions as well as internal growth. Our ability to achieve and benefit from such acquisitions and investments will depend upon a number of factors, some of which are beyond our control. These factors include, but are not limited to, our ability to: (i) identify assets or businesses for acquisitions or investments that suit our development strategies; (ii) execute the acquisitions or complete the investments within the time frame or estimated budget or integrate any business acquired; and (iii) train and retain qualified

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personnel to manage and operate the acquired or invested business. New acquisitions and investments may also be subject to all of the business risks to which our operations of the Jihe Expressway are subject. For details in relation to our acquisition strategies, please refer to the sub-sections headed “Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Acquisitions and strategic investments involve numerous risks both prior to and after completion of the acquisitions or investments. Risks prior to completion include regulatory restrictions, the incurrence of debt, the diversion of management’s attention from other business matters, delay in board approval and the possibility that conditions to complete an acquisition or investment may not be satisfied by us or the seller. Post-acquisition difficulties may include the assimilation of operations, corporate culture and personnel of the acquired business, diversion of management’s attention from other business concerns, the incurrence of additional debt, the impairment or amortisation of expenses related to goodwill and other intangible assets and the potential loss of key employees of the acquired business.

Furthermore, there can be no assurance that all or any of the proposed acquisitions or investments will be consummated on terms favourable to us or within a desired time frame. Even if we are able to successfully acquire or invest in suitable projects, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. If we fail to acquire suitable projects or if we fail to achieve our expected returns on such acquisitions or investments, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Acquisitions also pose the risk that we may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of acquired companies or the investment target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment and may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be successful in managing our growth and expansion into the regions of the PRC outside Shandong Province.

Since our incorporation, we have focused primarily on the construction, maintenance, operation and management of the Jihe Expressway. As part of our strategies, we may pursue suitable acquisitions and investment opportunities in the PRC to extend our leading competitive position.

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The experience of our Company's management in the highway industry is mainly related to the highways in Shandong Province. Other regions of the PRC may differ from Shandong Province in terms of the level of economic development, regulatory practice, level of our familiarity with local contractors, business practices and customs, and customer behaviours and preferences. Accordingly, our experience in Shandong Province may not be transferable to, or relevant for, the other regions of the PRC. In addition, expanding our business into those regions may entail competition with local or nationwide expressway operators who have an established local presence, are more familiar with local regulatory and business practices and customs and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. Expanding into other regions of the PRC also requires a significant amount of capital and management resources. We will need to manage the growth in our workforce to match the expansion of our business.

As we may face challenges not previously encountered in our business expansion, we may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in the other regions of the PRC. For example, we may have difficulty in accurately predicting traffic flow in the regions outside Shandong Province. Any failure to successfully leverage our experience in, or to have sufficient understanding of, the expressway operation industry in those regions to which we intend to expand our business may have a material adverse effect on our business, financial conditions, results of operations and prospects'.

The continued growth of our business requires substantial capital investment and our ability to arrange for additional external financing can be limited.

We may require significant additional financing to fund capital expenditures and to support the future growth of the business, particularly for future acquisitions and investments in expressway projects. Our ability to arrange for external financing and the cost of such financing are dependent on numerous factors, some of which are beyond our control, including general economic and capital market condition, interest rate, credit availability from banks or other lenders, investor confidence, success of our business, change in existing PRC regulations, provision of tax and securities laws that may be applicable to our efforts to raise capital and political and economic condition in the PRC generally. Our ability to raise additional financing, particularly through loans and other forms of financing activities, may be limited, as our Group may, in the future, be subject to various restrictions on our ability to incur additional debt and engage in other fund-raising transactions under the terms of the relevant outstanding indebtedness. In addition, the PRC Government has implemented a number of measures to control money supply growth and credit availability.

There can be no assurance that the PRC Government will not introduce other initiatives that may further limit our access to capital, or that additional debt financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to us. As a result, we may be increasingly reliant on cash generated by the Jihe Expressway operations, as well as cash generated

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through any equity or other financing activities, and there can be no assurance that such cash flows will be sufficient to finance the future growth of our businesses, which may adversely affect our business, financial conditions, results of operations and prospects.

We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We face various risks in connection with our business and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with the industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, property insurances such as property all risks insurance and machinery breakdown insurance, liability insurance policies such as life insurance, public liability insurance, special equipment liability insurance, third party liability insurance, hoisting liability insurance and electricity supply liability insurance and cash insurance. For details, please refer to the sub-section headed “Business — Insurance” in this prospectus. Any occurrence of these events may result in interruption of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other force majeure events. We do not maintain insurance to cover such losses as consistent with the general business and industry practices. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Our success depends on the retention of our Core Management Team and other qualified and experienced staff.

We depend on the services provided by our Core Management Team and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in toll road development is intense and the pool of qualified candidates is very limited, we may not be able to retain the services of our Core Management Team, or attract and retain high-quality senior management or key personnel in the future. Furthermore, in case any Core Management Team member leaves and we fail to find suitable substitutes, our business may be adversely impacted. Moreover, if we expand our business into other regions in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain qualified personnel, our business, financial conditions, results of operations and prospects may be adversely affected.

Capital expenditures on, and operation of, the Jihe Expressway is subject to events beyond our control.

Pursuant to the Concession Agreement, our Company is responsible for the maintenance of the Jihe Expressway at our own cost throughout the Concession Period. While such costs are typically stable, minimal in nature (in relation to routine or minor scale maintenance) and predictable (including the time of periodic intermediate and major repairs that require higher capital expenditures), the condition and operation of the Jihe

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Expressway operated by our Company may be affected by events beyond our control, including but not limited to power outage, severe weather conditions, catastrophic events, natural disasters, epidemics, terrorist attacks and major road accidents. Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, in the PRC may restrict business activities in the areas affected and thus adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the world, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, flood and droughts in the past few years. Such events out of our control could disrupt the operation of the Jihe Expressway for an extended period of time or interrupt our service, leading to loss of toll income and/or requiring significant unexpected capital expenditures to fix the Jihe Expressway and its infrastructure and equipment. In addition to the fact that we may not have adequate insurance coverage to cover our potential losses from such events or the amount claimed by users of the Jihe Expressway due to such interruption of service, we may also not be able to obtain full recovery of our losses from other parties, or at all. Please refer to the sub-section headed “Business — Insurance” in this prospectus for more details regarding our insurance coverage and the paragraph headed “We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, financial conditions, results of operations and prospects may be materially and adversely affected.” in this sub-section of the prospectus for details of the risks in relation to our insurance coverage.

We cannot assure you that such events out of our control will not occur, or the occurrence of such events will not have a material adverse effect on our business, financial conditions, results of operations and prospects.

There was a major traffic incident on the Jihe Expressway in December 2012. According to the incident responsibility reports prepared by the government departments in relation to the traffic incident and the civil judgment arising from the traffic incident, the traffic accident was caused by various drivers failing to drive safely in adverse weather conditions involving rain, snow, fog and ice. The cause of the traffic was irrelevant to the condition of Jihe Expressway. The incident caused significant damage to the Jihe Expressway necessitating the closure of certain sections of the Jihe Expressway for approximately two months for repair works including replacement of the road surface conducted to restore the road condition. The capital expenditure for such repair works amounted to approximately RMB6.0 million.

There can be no assurance that such events which are beyond our control will not occur in future. If the condition or operation of the Jihe Expressway is seriously affected as a result of any such events and substantial capital expenditure is required to restore our operations, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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Toll collection may be affected by the integrity of the information management system.

The operation of the Jihe Expressway relies on the information management systems of our Company. Our toll collection system records our daily toll income which forms part of our major source of revenue. Meanwhile, our Company has participated in the provincial toll collection network administered by the Expressway Toll Settlement Centre to which a set of standardised toll collection software centrally managed by the Shandong Transport Department is applied. The Expressway Toll Settlement Centre is responsible for the calculation and allocation of toll entitlement of the expressway operators within the network. We normally receive the toll entitlement from the Expressway Toll Settlement Centre within a certain period of time, which is generally two to three months. There can be no assurance as to the proper functioning and accuracy of the standardised toll collection software centrally managed by the Shandong Transport Department or the toll calculation and entitlement allocation system of the Expressway Toll Settlement Centre. In addition, we also rely on the toll collection systems administered by other operators to a certain extent as some vehicles using the Jihe Expressway may enter and/or exit the expressway through toll stations other than those of the Jihe Expressway. However, there can be no assurance as to the accuracy of their systems and the accuracy of the toll data provided. For details of the toll collection process and calculation and allocation of tolls, please refer to the sub-section headed “Business — Expressway Operations” in this prospectus. Furthermore, the toll collection and operation of the Jihe Expressway also hinge on our communication system and surveillance system for real-time management and traffic coordination. We engage third-party contractors to carry our daily maintenance and upgrade of these systems. The services provided by the third-party contractors may not meet our operational needs and quality standards. For details, please refer to the paragraph headed “We cannot assure you that our third-party contractors will always meet our quality standards and provide services in a timely manner.” in this sub-section of the prospectus.

Any malfunctioning or inadequate management of the systems mentioned could affect the traffic operations of the Jihe Expressway or cause the toll data to become unreliable, inaccurate or permanently lost, and could thereby affect our toll income. As such, our business, financial conditions, results of operations and prospects may be adversely affected.

We may be subject to credit risk in respect of our trade receivables.

Under our Expressway Business, part of our toll income generated from vehicles passing along the Jihe Expressway is first collected by the Expressway Toll Settlement Centre. Our Company’s toll income entitlement is then calculated, allocated and deposited by the Expressway Toll Settlement Centre to our designated bank account for toll receipt within two to three months thereafter. For details, please refer to the sub-section headed “Business — Expressway Operations — Toll Allocation by the Expressway Toll Settlement Centre” in this prospectus.

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Our trade receivables represented mainly the toll receivables which are our toll income temporarily held by the Expressway Toll Settlement Centre. Therefore, our credit risk mainly arises from such trade receivables. As at 31 December 2015, 2016 and 2017, our trade receivables amounted to approximately RMB163.0 million, RMB148.5 million and RMB181.3 million, respectively. The turnover days of our trade receivables were approximately 42 days, 43 days and 52 days, respectively, for the three years ended 31 December 2017. For details, please refer to the sub-section headed “Financial Information — Description and Analysis of Principal Items in the Consolidated Statements of Financial Position” in this prospectus.

There can be no assurance that our trade receivables will be settled by the Expressway Toll Settlement Centre in a timely manner or at all. In the event of failure to collect these trade receivables, we may need to make provision for impairment for all or part of such trade receivables and eventually treat them as bad debt. As a result, our business, financial conditions, results of operations and prospects may be adversely affected.

We are subject to regulatory approval risks.

In the PRC, toll road and expressway projects involve complex and lengthy processes of formal, official and governmental authorisations and approvals. For example, toll rates and any adjustment to tolls shall be approved by the provincial government after being reviewed by the competent transport authority under provincial people’s government and competent pricing authority at the same level. There can also be no assurance in relation to any other possible future acquisitions, investments or projects that the requisite approvals can be obtained in time or at all. Our failure to obtain the requisite licenses, permits or approvals from the government agencies or authorities in time, or at all, will also increase our costs, which may materially and adversely affect our business, financial conditions, results of operations and prospects.

The number and severity of traffic accidents and safety incidents could adversely affect our business.

Given the nature of our business, we may continue to experience accidents on the Jihe Expressway which could adversely affect us in several ways. When accidents occur, the amount of traffic on the Jihe Expressway is reduced resulting in a decrease in our revenues and profits. In addition, if the Jihe Expressway develops an adverse reputation for being unsafe or congested as a result of these accidents, drivers may seek alternative routes which will in turn decrease the traffic flow on the Jihe Expressway. The major traffic incident on the Jihe Expressway in December 2012 caused the closure of certain sections of the Jihe Expressway for an extended period of time for conducting repair works, which affected the traffic flow and, in turn, our toll income. For details, please refer to the paragraph headed “Capital expenditures on, and operation of, the Jihe Expressway is subject to events beyond our control.” in this sub-section of the prospectus.

As the causes of most of these traffic accidents and safety incidents are beyond our control, any occurrence of such events may adversely affect our business, financial conditions, results of operations and prospects.

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The actual traffic flow and toll income of the Jihe Expressway in the future may be different from the projected traffic flow and toll income as determined by WB Group and be subject to change.

WB Group has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for the Jihe Expressway. For details, please refer to “Appendix V — Traffic Consultant’s Report” to this prospectus. The traffic flow and toll income projections of the Jihe Expressway by WB Group were prepared using such analytical methods and models as were considered appropriate by WB Group. The projections were based on the historical data of the traffic flow of the Jihe Expressway and, among other things, certain assumptions regarding sociological, demographical and economic trends in Shandong Province. The assumptions also required a subjective determination of certain factors relating to the PRC which may or may not be realised. There can be no assurance that the assumptions used in developing such projections, which include but are not limited to the absence of any adverse regulatory actions by the PRC Government, completion of new connections and the GDP growth in Shandong Province, will prove to be accurate. There can be no assurance that actual traffic flow will be in line with the projected traffic flow. Any significant shortfall in the actual traffic flow may materially and adversely affect our business, financial conditions, results of operations and prospects.

We cannot assure you that our third-party contractors will always meet our quality standards and provide services in a timely manner.

We engage third-party contractors to provide various services, including certain road maintenance, repair and upgrade and the maintenance and upgrade of our information management systems. We generally select our third-party contractors through tenders and bids. Tenderers and bidders are evaluated by taking into account a number of factors including their demonstrated competence, qualification, market reputation, business performance and tender price. For details, please refer to the sub-section headed “Business — Suppliers and Procurement” in this prospectus.

Performance by the third-party contractors of their contractual obligations, including their compliance with our quality standards and the pre-agreed schedule for completion, will affect our maintenance, repair and upgrade projects. However, we cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or meet our quality and safety requirements, or that their services will be rendered on time. There can also be no assurance that our monitoring of their works and performance will be sufficient to control their service quality or compliance with the relevant safety or environmental standards. Furthermore, we cannot assure you that our employees will be able to consistently comply with our quality control measures, to accurately apply our quality standards or to detect all defects in the services rendered by these third-party contractors. In the event that our third-party contractors fail to meet our quality, safety, environmental and other operational standards and those standards required by the relevant PRC laws and regulations, or if any of them is in breach of its contractual obligations due to its own financial difficulties or other reasons, our operations may suffer

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and we may in turn become liable to third parties. The costs associated with rectifying any issues caused by our third-party contractors may have a material adverse effect on our business, financial conditions, results of operations and prospects.

Furthermore, we cannot assure you that the services rendered by such third-party contractors will be continuously available on commercially acceptable terms, or at all. In case their services are interrupted or terminated for whatever reason and we fail to engage appropriate replacements on commercially acceptable terms in a timely manner, or at all, our maintenance, repair and upgrade schedule may be delayed and we may breach our obligations of operation, maintenance and management under the Concession Agreement. The occurrence of any or all of the situations above may have a material adverse effect on our business, financial conditions and results of operations and prospects.

If the works of any of such third-party contractors causes dissatisfaction to the users of the Jihe Expressway, our reputation may suffer, which may adversely affect our business, financial conditions, results of operations and prospects.

We may be involved in legal and other proceedings arising from our operations from time to time.

We may be involved from time to time in disputes with various parties involved in the operations of the Jihe Expressway such as third-party contractors, service providers, employees and others, as well as in connection with our acquisitions and investments. These disputes may lead to legal and other proceedings, and may cause us to incur significant costs and experience delays. We may also be involved in legal claims with respect to the outsourced activities and that we may be liable to other third parties for losses or damages caused by our third-party contractors. If a third party takes legal action against us relating to the outsourced activities, we may be required to incur costs and devote resources to defend ourselves against such claims. The costs and expenses incurred by us as a result of any acts or omissions of our third-party contractors or of any default in the provision of services to us or to third parties may have a material adverse effect on our business, financial conditions, results of operations and prospects. In addition, we may have disagreements with regulatory bodies and government authorities in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that may result in financial losses. We may also become exposed to legal proceedings and unfavourable decrees even for expressway companies or expressway projects that were not operated by us at the time of any such alleged improprieties but were later acquired by us. If we fail to claim for compensation under any contractual arrangements for any such undisclosed losses or damages, we may be exposed to financial losses, which may have an adverse effect on our expected profitability and ability to realise synergies from such acquisitions. In such circumstances, our reputation, business, financial conditions, results of operations and prospects may be materially and adversely affected.

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We have not registered our lease agreements with the competent authorities and as a result we may be subject to fines.

Pursuant to the relevant laws and regulations, property lease agreements have to be registered. As at the Latest Practicable Date, the registration and filing process of the lease agreements in respect of a shop leased for the purpose as our staff canteen had not been completed due to the fact that the developer of the leased shop was still undergoing the process of obtaining the building ownership certificate. As advised by our PRC Legal Advisers, our actual use of the leased shop prior to the due registration and filing of the Lease Agreements may cause us to be subject to a fine within the range of RMB1,000 to RMB10,000. The imposition of such fines or other actions as a result may cause us to make additional efforts and/or incur additional expenses which may adversely affect our business, financial conditions, operations and prospects.

Our Group had non-compliance incidents in the past. Enhanced internal control measures may not guarantee that we are able to comply with the relevant laws and regulations.

We had non-compliance incidents within the Track Record Period. For details, please refer to the sub-section headed “Business — Legal Proceedings, Regulatory Compliance and Internal Control — Non-compliance and Enhanced Internal Control Measures” in this prospectus.

We can neither guarantee that implementation of our internal control measures can ensure our future compliance with the relevant laws and regulations, nor guarantee that we will not be subject to legal or administrative actions from the relevant authorities due to any non-compliance incidents in the future. In the event that our Group is imposed with any fines, penalties or other legal consequences due to such legal or administrative actions, our business, financial conditions, operations and prospects may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Our operations are subject to regulation by the PRC Government authorities, and changes of the PRC Government’s transportation-related policies may impact our revenue and profits.

Our operations shall comply with the requirements of the PRC Government policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways in the PRC. Changes on such policies may adversely affect our business. Furthermore, the toll rates applicable to the Jihe Expressway are subject to the regulations of the relevant government authorities. Such toll rates require approvals from the Shandong Provincial Finance Department, the Shandong Provincial Price Bureau and the Shandong Transport Department. The toll rates are based on vehicle classification and a stepped scale in multiples of the base charge for the smallest category of vehicles, in the form of a rate per km travelled. For further details of the toll rates applicable to the Jihe Expressway, please refer to the sub-section headed “Business — Expressway Operations — Toll Rates” in this prospectus. Factors taken into account by the Shandong Provincial Finance Department, the Shandong Provincial Price Bureau and the Shandong Transport

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Department when setting the toll rates or approving changes of the toll rates include interest rates, inflation rates, maintenance costs of the expressways and affordability of the end-users. There can be no assurance that the Shandong Provincial Finance Department, the Shandong Provincial Price Bureau and the Shandong Transport Department or any other government authority will not at any time request a toll rate reduction.

Pursuant to the “Classification of Vehicle on Toll Roads” (Transportation Industry Standard JT/T489–2003) (《收費公路車輛通行費車型分類》(交通行業標準JT/T489–2003)) issued by the MOT and effective on 1 October 2003, all toll roads in the PRC shall comply with the vehicle classification system set out in the said document, whereby passenger vehicles shall be classified by the number of passenger seats while trucks shall be classified by tonnage. Although the vehicle classification standards have been adjusted by the competent authorities from time to time and such adjustments have not affected our toll income significantly, there can be no assurance that any future guidelines, notices or changes of the government policies relating to transportation and logistics will not adversely affect our business, results of operations, financial conditions and prospects.

Furthermore, certain vehicles are exempted from toll payment or entitled to toll discounts pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》), the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passengers Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) (the “**Holiday Toll-Free Policy**”) and the Urgent Notice on Further Improving Policies for Green Passage of Fresh Agricultural Products (《關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知》). For details, please refer to the sub-sections headed “Regulatory Overview — Laws and Regulations in relation to Highways — Toll Collection and Set-up of Toll Stations” and “Business — Expressway Operations — Toll Rate Discounts and Exemptions” in this prospectus. There can be no assurance that the relevant government authorities will not implement toll discount or toll-free policies and any other policies in relation to tolls or toll rates in the future, which may adversely affect our business, results of operations, financial conditions and prospects.

Whereas all expressways in Shandong Province adopt a closed system with standardised toll collection software and network, on 1 November 2017, adhering to the principle of “toll collection and allocation based on the shortest route”, the Shandong Transport Department implemented the alternative route identification and allocation system requesting certain expressway operators in Shandong Province, including our Company, to install license plate identification points along their expressways to record the actual driving routes of vehicles in order to allocate the toll entitlement more accurately. Upon completion of the route identification, toll income generated from vehicles travelling on the expressways will be allocated in accordance with the length of the route as identified. For details of the toll allocation by the Expressway Toll Settlement Centre, please refer to the sub-section headed “Business — Expressway Operations — Toll Collection — Toll Allocation by the Expressway Toll Settlement Centre” in this prospectus. There can be no assurance that the implementation of the alternative route identification and allocation system would not affect the mechanism for determining and allocating the toll income

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entitlement of an expressway operator in Shandong Province and therefore, there can be no assurance that our toll income performance during the Track Record Period is indicative of the trend of our future toll income.

The highway industry may be subject to more and increasingly stringent PRC environmental protection regulations.

The traffic on the Jihe Expressway may produce exhaust gas, dust and noise pollution, and our road maintenance, expansion or construction work may affect the surrounding vegetation, soil and water. Whereas the highway industry is currently not classified as a high-pollution industry, the PRC Government is gradually implementing more and increasingly stringent environmental laws and regulations. As a result, we may be required by the competent authorities to comply with these new regulations and to increase our investment in environmental protection, which may have an adverse effect on our business, financial conditions, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could have a material and adverse effect on our business and operations.

Our business and operations are conducted in the PRC and governed by the PRC laws and regulations. The PRC legal system is based on civil law system. Previous court decisions may be used as reference and guiding cases may be considered for judgement. Since the late 1970s, the PRC Government has committed to building up a socialistic legal system to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving shareholders' rights, foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many applicable laws, regulations and policies may change from time to time and even vary from different administrative regions, which may affect our business.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original legal actions in the PRC based on foreign laws against us, our Directors and senior management.

Our Company is incorporated under the laws of the PRC and our assets are located in the PRC. In addition, nearly all of our Directors and executive officers reside in the PRC and their personal assets may also be in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and executive officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a corresponding treaty with the PRC or if the judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite

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requirements. However, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

Changes in economic, political, legal and social conditions and developments in the PRC as well as policies adopted by the PRC Government may have a material and adverse effect on our business, financial conditions, results of operations and prospects.

The business operations of our Group are based in the PRC. As such, the business, financial conditions, results of operations and prospects of our Company may be significantly affected by the economy, politics, laws, and society of the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. Since 1978, the PRC economy has shifted gradually from a planned economy towards a market-oriented economy. Nonetheless, a substantial majority of the productive assets are still owned by the PRC Government. In recent years, the PRC Government has implemented various measures emphasising the utilisation of market force, reduction of state ownership in productive assets and establishment of sound corporate governance practices for business enterprises. The general PRC economy is expected to benefit from some of such economic reforms. However, such measures may also have a material effect on our business, financial conditions, result of operations and prospects. In addition, while the PRC has become one of the most fast-growing economies in the world in terms of its GDP growth in recent years, the PRC may not be able to maintain the previous growth rate and the slowdown of the economic growth may also have a material effect on us.

Payment of dividends is subject to restrictions under the PRC law.

Under the PRC law, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or HKFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we require to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including periods in which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRSs in certain respects, our operating subsidiary may not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under HKFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiary. Failure by our operating subsidiary to pay us dividends could adversely impact our cash flow and the ability to make dividend distributions to our Shareholders in the future, including periods in which our financial statements indicate we are profitable.

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Dividends from our Company may be subject to the PRC taxation.

Under the current PRC tax laws and regulations, non-PRC resident individual holders of H Shares (the “**Non-PRC Resident Individual Holders**”) and non-PRC resident enterprise holders of H Shares (the “**Non-PRC Resident Enterprise Holders**”) are subject to different tax obligations with respect to the dividends paid to them by us or the gains realised upon the sale or other disposition of H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC source income or gains from shares dividend and transfer of property at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing H shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realised upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to a notice promulgated by the SAT on 6 November 2008, we intend to withhold tax at 10% from dividends payable to the Non-PRC Resident Enterprise Holders (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payable of such refund will be subject to the PRC tax authorities’ approval. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from the Non-PRC Resident Enterprise Holders. If such tax is collected in the future, the value of such Non-PRC Resident Enterprise Holders’ investments in H Shares may be materially and adversely affected.

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Government control of currency conversion may adversely affect the value of your investments.

All of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most of the foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

The enforcement of the PRC Labour Contract Law (《中華人民共和國勞動合同法》) and increases in labour costs in the PRC may adversely affect our business and our profitability.

The PRC Labour Contract Law and its implementation rules impose more stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. The PRC Labour Contract Law and its implementation rules also establish requirements relating to, among others, minimum wages, severance payments and non-fixed term employment contracts, time limits for probation periods as well as duration and the number of times that an employee can be placed on fixed term employment contracts. The PRC Labour Contract Law and its implementation rules also provide that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labour contracts if this requirement is not satisfied.

In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which also came into effect on 1 January 2008, and its implementation measures, which were promulgated and became effective on 18 September 2008, employees who have served more than one year for an employer are entitled to annual leave ranging from five to fifteen days, depending on their length of service. Employees who waive such annual leave at the request of employers shall be compensated at a rate of three times of their normal salaries for each waived annual leave day. Such new laws and regulations may

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increase our labour costs. In addition, certain companies operating in the PRC have experienced labour unrest in 2010 as a result of workers' dissatisfaction with working conditions and remuneration. We cannot assure you that these labour strikes will not affect general labour market conditions or result in changes to relevant labour laws and regulations in the PRC, which in turn could adversely affect our business. Any increase in our labour costs and future disputes with our employees could nonetheless have a material and adverse effect on our business, financial conditions, results of operations and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market in Hong Kong for our H Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, no public market existed for our H Shares. The initial Offer Price range for our H Shares is the result of negotiations between us and the Joint Global Coordinators, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing and dealing in our H Shares on the Stock Exchange. We cannot assure you that an active and liquid public trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price. Factors, such as variations in our revenue, earnings and cash flows or any other developments of our Company, may affect the volume and price at which our H Shares will be traded.

The price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors purchasing our H Shares in the Global Offering. Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our H Shares or trading volume of our H Shares to change substantially and/or unexpectedly. In addition, the volatility of share price may not be directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may adversely affect the prices of our H Shares, and as a result investors in our H Shares may incur substantial losses.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or HKFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves and provisions that we are required to make. A decision to declare, or to pay, any dividends and the amount of any dividends will also depend on various factors, including without limitation to our business, financial condition, results of operations, cash flows, operating and capital expenditure requirements, the PRC Company Law and other applicable PRC laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any

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other factors determined by our Board from time to time, to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance as to our ability to pay or maintain distributions in respect of the dividends or that the level of distributions will increase over time. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

Potential investors will experience immediate dilution as a result of the Global Offering and may face future dilution as a result of future financings.

Potential investors may pay a price per H Share that is higher than our audited net asset value per H Share based on our issued share capital after the completion of the Global Offering. If we were liquidated for net asset value immediately following the Global Offering, Shareholders subscribing to the Global Offering would receive less than the price they paid for their H Shares. If the Joint Global Coordinators exercises the Over-allotment Option, holders of our H Shares may experience a further dilution of their interest. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of our Shares may experience dilution in the net asset value per Share if we issue additional Shares in the future.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders.

Upon completion of the Global Offering on the assumption that the Over-allotment Option is not exercised, approximately 38.93% and 30.00% of our issued Shares will be held by Qilu Transportation and COSCO SHIPPING (Hong Kong), respectively, directly. COSCO SHIPPING and COSCO will indirectly hold 30.00% of our issued Shares through their holding of the entire equity interest in COSCO SHIPPING (Hong Kong). The interests of our Controlling Shareholder may conflict with the interests of our other Shareholders. Following the completion of the Global Offering, our Controlling Shareholders will continue to have influence over us, including on matters relating to potential mergers, consolidation, the sale of all or substantially all of our assets, the election of Directors, and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of the opportunity to receive a premium for their H Shares as part of a sale of us or our assets, and might reduce the trading price of our H Shares. Due to our Controlling Shareholder's position, these actions may be taken even if they are opposed by our other Shareholders, including those who subscribe for our H Shares in the Global Offering. For more details as to the share ownership of, and our relationship with, our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

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Waivers were granted from certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are waived. In addition, these waivers could be revoked, exposing us and our Shareholders to additional compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted us, a number of waivers from strict compliance with the Hong Kong Listing Rules. For details, please refer to the section headed “Waivers from Strict Compliance with the Hong Kong Listing Rules” in this prospectus. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the CSRC, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have duly completed and the approval from the relevant regulatory authorities, including CSRC, shall have been obtained in accordance with the regulations of the State Council’s securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval by the Hong Kong Stock Exchange.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several days after the Price Determination Date. Accordingly, investors of our H Shares may not be able to sell or otherwise trade our H Shares during that period. As a result, holders of our H Shares may be subject to the risk that the trading price of our H Shares could fall before trading begins due to adverse market conditions or other adverse developments that may arise between the Price Determination Date and the date on which the trading begins.

RISK FACTORS

We have significant discretion as to how we will use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the net proceeds from the Global Offering pursuant to our plan as disclosed in the subsection headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus. However, our management will have discretion as to the actual utilisation of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

Forward-looking information in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements and information relating to us that are based on our management’s belief and assumptions. The words “anticipate”, “believe”, “expect”, “going forward” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

We cannot guarantee the accuracy of facts and other statistics with respect to the PRC, the PRC economy and the PRC toll road, expressway and billboard advertising service industries contained in this prospectus.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC toll road, expressway and billboard advertising service industries in which we operate, from information provided by the PRC Government agencies, industry associations, independent research institutes or other third-party sources that we believe to be reliable. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled in or outside the PRC. The facts, forecasts and other statistics include the facts, forecasts and statistics

RISK FACTORS

included in the sections headed “Risk Factors”, “Industry Overview” and “Business” in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, which may not be consistent with the information contained herein.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Hong Kong Listing Rules, all applicants applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules states that the requirement under Rule 8.12 of the Hong Kong Listing Rules applies to a new applicant incorporated in the PRC, but also provides that the requirement may be waived by the Hong Kong Stock Exchange in its discretion.

Our headquarters and business operations are based, managed and conducted in the PRC. Currently, our two executive Directors are based in the PRC as the Board is of the view that it is more effective and efficient for its executive Directors to be based in or be near the places where our Group has significant operations. Further, our two executive Directors are ordinarily resident in the PRC. Therefore, our Company currently does not, and in the foreseeable future will not, maintain management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made the following arrangements in order to maintain effective communication with the Hong Kong Stock Exchange:

- according to Rule 3.05 of the Hong Kong Listing Rules, we have appointed two authorised representatives, namely Mr. Li Gang and Ms. So Shuk Yi Betty and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company on short notice;
- we have provided the authorised representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of our authorised representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors for any reason;
- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when requested by the Hong Kong Stock Exchange; and

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- in compliance with Rule 3A.19 of the Hong Kong Listing Rules, we have appointed Zhongtai International Capital as our compliance adviser who will serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual report to our Shareholders for the first full financial year immediately after the listing of our H Shares in accordance with Rule 13.46 of the Hong Kong Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as an additional channel of communication with the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code of Hong Kong;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

We have appointed Mr. Lian Shengguo as our joint Company Secretary. He joined our Company in 2008 and has more than 18 years of experience in the highway industry with sound understanding of the operations of our Board, Supervisory Committee and our Company. Mr. Lian, however, does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Lian will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Hong Kong Listing Rules organised by our Company's Hong Kong legal advisers on an invitation basis and seminars organised by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;
- we have appointed Ms. So Shuk Yi Betty, who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Lian in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Lian to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as company secretary; and
- before expiry of the three-year period, the qualifications and experience of Mr. Lian will be re-evaluated. Mr. Lian is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of assistance of Ms. So for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon expiry of the initial three-year period, the qualifications of Mr. Lian will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Lian has obtained relevant experience under Note 2 to Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after Listing, certain transactions which will constitute non-fully exempt continuing connected transactions under the Hong Kong Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules regarding the Land Use Right Lease Agreement and the Property Lease Agreement. Relevant details are set out in the section headed “Connected Transactions” in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars in detail given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving our information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

APPROVAL OF THE CSRC

The CSRC issued an approval letter on 7 May 2018 for the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 50,000,000 H Shares initially offered and the International Offering of 450,000,000 H Shares initially offered (subject, in each case, to re-allocation on the basis under the section headed "Structure of the Global Offering" in this prospectus).

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us. The International Offering is managed by the Joint Bookrunners. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Shares and agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

For details of the structure of the Global Offering, including its conditions, please refer to the section headed “Structure of the Global Offering” in this prospectus. For the procedures for applying for our H Shares, please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Thursday, 12 July 2018 or such later date as may be agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than Wednesday, 18 July 2018. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of the H Shares to confirm, that he is aware of the restrictions on offers and sales of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares, including the H Shares converted from the Unlisted Foreign Shares which are held by COSCO SHIPPING (Hong Kong) and any H Shares which may be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorised approval authorities of the State Council. For details, please refer to the sub-section headed “Share Capital — Conversion of Our Domestic Shares and Unlisted Foreign Shares into H Shares” in this prospectus.

Except for our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

COMPLIANCE WITH THE HONG KONG LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) and any other undertakings which have been given in favour of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Hong Kong Listing Rules or such other undertakings which may have been given in favour of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Hong Kong Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (c) agrees with us and each our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and
- (d) authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors of our Company or an existing shareholder of our Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. It is emphasised that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, and/or dealing in, the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILISATION

For details of the arrangement relating to the Over-allotment Option and stabilisation, please refer to the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

For details of the structure of the Global Offering, including its conditions, please refer to the section headed “Structure of the Global Offering” in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the H Share register of members of our Company maintained by our H Share Registrar in Hong Kong. We will maintain our Company’s principal register of members at our current registered place in the PRC.

Dealings in the H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company in Hong Kong, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder of our Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional on or before 8:00 a.m. in Hong Kong on Thursday, 19 July 2018, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, 19 July 2018. Our H Shares will be traded in board lots of 1,000 H Shares each. The stock code of our H Shares will be 1576.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong Dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all. Unless indicated otherwise, the translation of Renminbi into Hong Kong Dollars was made at the rate of RMB0.8228 to HK\$1.00, the median rate set by PBOC for foreign exchange transactions prevailing as at the Latest Practicable Date. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS**EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS**

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Mr. Li Gang (李剛)	No. 1203, No. 5 East Building, Zhongrunshiji City, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, PRC	Chinese
Mr. Chen Dalong (陳大龍)	Room D, 23/F, Block B, Yick Fung Garden, 20 Praya, Kennedy Town, Hong Kong	Chinese
Mr. Wang Shaochen (王少臣)	No. 701, Unit 1, No. 6 Building, Lv Jing Shang Pin Estate, No. 8 Linongzhuang Road, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Mr. Wu Dengyi (吳登義)	No. 602, Unit 1, No. 4 Building, No. 866 Fu Di Street, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Mr. Li Jie (李杰)	No. 501, Unit 1, No. 1 Building, Highway Bureau Staff Quarters of Transport Department, East Zone of Huan Shan Estate, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Mr. Wang Long (王龍)	No. 201, Unit 1, No. 4 Building, No. 866 Fu Di Street, Lixia District, Jinan City, Shandong Province, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Mr. Su Xiaodong (蘇曉東)	No. 1505, 8th Floor, 3rd District, An Hua Li, Chaoyang District, Beijing City, PRC	Chinese
Mr. Peng Hui (彭暉)	No. 1-5, Ling Yu Ming Di, Bei Tang Rong Mansion, Tanggu District, Tianjin City, PRC	Chinese

INDEPENDENT NON-EXECUTIVE DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Mr. Wu Yuxiang (吳玉祥)	No. 402, Unit 2, No. 3 Building, No. 389 Jian She Road, Zoucheng City, Shandong Province, PRC	Chinese
Mr. Cheng Xuezhan (程學展)	Flat D, 23rd Floor, Wing Po Mansion, No. 33 Fort Street, North Point, Hong Kong	Chinese
Mr. Li Hua (李華)	No. 402, Unit 2, No. 40 Dongsi West Street, Dongcheng District, Beijing City, PRC	Chinese
Mr. Wang Lingfang (王令方)	No. 102, Unit 3, No. 1 Building, Zone D, Luneng Ling Xiu Estate, Erhuan South Road, Jinan City, Shandong Province, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SUPERVISORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Ms. Meng Xin (孟昕)	Room 1302, 13/F, Wing Fung Building, 35 Gage Street, Central, Hong Kong	Chinese
Mr. Liu Ligang (劉立剛)	No. 303, Unit 5, No. 103 Building, North Zone of Shun Yu Estate, Shizhong District, Jinan City, Shandong Province, PRC	Chinese
Mr. Wu Yongfu (吳永福)	No. 1102, Unit 3, No. 7 Building, D2 Zone of Luneng Ling Xiu Estate Shizhong District, Jinan City, Shandong Province, PRC	Chinese
Mr. Lian Shengguo (連勝國)	No. 302, Unit 4, No. 1 Building, No. 239 Shanda Road, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Mr. Hao Dehong (郝德紅)	No. 102, Unit 2, No. 2 Building, No. 21 Linongzhuang Road, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Ms. Hou Qinghong (侯清紅)	No. 202, Unit 2, No. 4 Building, Huanshan Shengjing Xiaoqu, No. 100 Huanshan Road, Lixia District, Jinan City, Shandong Province, PRC	Chinese
Mr. Wei Zhihai (韋志海)	No. 402, Unit 1, No. 3 Building, No. 7 Tongyuanjuhou Street, Tianqiao District, Jinan City, Shandong Province, PRC	Chinese
Ms. Jiang Xiaoyun (江曉雲)	No. 1006, No. 5 Building Rungfengdeshang, No. 60 Anli Road, Chaoyang District, Beijing City, PRC	Chinese

Further details of our Directors, Supervisors and other senior management of our Company are set out in the section headed “Directors, Supervisors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Party</u>	<u>Name and Address</u>
Joint Sponsors	Zhongtai International Capital Limited 19/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Joint Global Coordinators	Zhongtai International Securities Limited 7/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	CCB International Capital Limited 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
	GF Securities (Hong Kong) Brokerage Limited 29–30/F, Li Po Chun Chambers, 189, Des Voeux Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
Joint Bookrunners	Zhongtai International Securities Limited 7/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	CCB International Capital Limited 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
	GF Securities (Hong Kong) Brokerage Limited 29–30/F, Li Po Chun Chambers, 189, Des Voeux Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	ICBC International Capital Limited 37/F, ICBC Tower, 3 Garden Road, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
	SPDB International Capital Limited Suites 3207–3212, One Pacific Place, 88 Queensway, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Joint Lead Managers	Zhongtai International Securities Limited 7/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i>

<u>Party</u>	<u>Name and Address</u>
	<p>CCB International Capital Limited 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i></p>
	<p>GF Securities (Hong Kong) Brokerage Limited 29–30/F, Li Po Chun Chambers, 189, Des Voeux Road Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i></p>
	<p>ICBC International Securities Limited 37/F, ICBC Tower, 3 Garden Road, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO)</i></p>
	<p>ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Central, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)</i></p>
	<p>SPDB International Capital Limited Suites 3207–3212, One Pacific Place, 88 Queensway, Hong Kong <i>(a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i></p>

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
Auditor and Reporting Accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building, Central, Hong Kong
Legal Advisers to our Company	<i>As to Hong Kong laws:</i> Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong <i>As to PRC law:</i> S&P Law Firm 3/F, Beijing Tower, No. 10 East Chang'an Avenue, Beijing, PRC
Legal Advisers to the Joint Sponsors and the Underwriters	<i>As to Hong Kong law:</i> Patrick Mak & Tse Rooms 901–905, 9/F, Wing On Centre, 111 Connaught Road Central, Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, PRC
Business Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
Traffic Consultant	WB Group International Limited Room 1109, 11/F, Kowloon Centre, 33 Ashley Road, Tsim Sha Tsui, Kowloon, Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B, Greenland Hui Center, No. 500 Yunjin Road, Xuhui District, Shanghai, PRC
Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower, 3 Garden Road, Central, Hong Kong

CORPORATE INFORMATION

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
Place of Business in Hong Kong	22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong
Company Website	<u>www.qlecl.com</u> <i>(Note: the contents of the website do not form part of this prospectus)</i>
Legal Representative	Mr. Li Gang (李剛)
Joint Company Secretaries	Mr. Lian Shengguo (連勝國) No. 302, Unit 4, No. 1 Building, No. 239 Shanda Road, Lixia District, Jinan City, Shandong Province, PRC Ms. So Shuk Yi Betty (蘇淑儀) (ACIS, ACS) 18/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Authorised Representatives	Mr. Li Gang (李剛) No. 1203, No. 5 East Building, Zhongrunshiji City, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, PRC Ms. So Shuk Yi Betty (蘇淑儀) (ACIS, ACS) 18/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

CORPORATE INFORMATION

Members of the Audit Committee	Mr. Wu Yuxiang (吳玉祥) (<i>Chairman</i>) Mr. Li Hua (李華) Mr. Wang Shaochen (王少臣)
Members of the Remuneration and Appraisal Committee	Mr. Li Hua (李華) (<i>Chairman</i>) Mr. Cheng Xuezhao (程學展) Mr. Wang Lingfang (王令方)
Members of the Nomination Committee	Mr. Li Gang (李剛) (<i>Chairman</i>) Mr. Li Hua (李華) Mr. Wang Lingfang (王令方) Mr. Wu Yuxiang (吳玉祥)
Members of the Strategy Committee	Mr. Li Gang (李剛) (<i>Chairman</i>) Mr. Peng Hui (彭暉) Mr. Wang Shaochen (王少臣) Mr. Wu Yuxiang (吳玉祥) Mr. Li Hua (李華)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Compliance Adviser	Zhongtai International Capital Limited 19/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong
Principal Bankers	China Construction Bank Corporation, Changqing sub-branch 2288 Lingyan Road, Changqing District, Jinan City, Shandong Province, PRC Industrial Bank Co., Ltd., Jinan High-tech Zone sub-branch 112 Shunhua North Road, High-tech Zone, Jinan City, Shandong Province, PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that such information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Global Offering. Neither we, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Global Offering (save Frost & Sullivan for the avoidance of doubt) make any representation as to the accuracy, completeness or fairness of such information.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the expressways in China and Shandong, at a fee of HK\$520,000 which we believe reflects the prevailing market rate. Founded in 1961 in New York, Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, medical and healthcare, industrial automation and electronics, industrial machinery and technology, media and telecommunication.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants, and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. In preparing the report, Frost & Sullivan has adopted the following assumptions: (1) The social, economic and political environments of the PRC is likely to remain stable in the forecast period; and (2) Related key drivers of the industry are likely to drive the market development in the forecast period. The Directors are of the view that the data and statistics are reliable. Upon reasonable and careful consideration, our Directors confirm that there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict, or have an impact on the information in this section.

OVERVIEW OF CHINA'S MACROECONOMY

China is one of the largest economies, only second to the United States. According to the National Bureau of Statistics of China, the nominal GDP of China increased from RMB54.0 trillion in 2012 to RMB82.7 trillion in 2017, representing a CAGR of 8.9%.

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According to the Thirteenth Five-year Plan, the nominal GDP of China is estimated to increase at a CAGR of approximately 7.1% from 2018 to 2022 and reach RMB117.8 trillion by the end of 2022. The economic growth will drive the demand for industrial raw materials and in turn push up the demand for road transportation.

Civil Automobile Ownership in China

According to the National Bureau of Statistics of China, the civil automobiles ownership in China have experienced a rapid growth, increasing from 120.9 million in 2012 to 217.4 million in 2017, representing a CAGR of 12.5%. The number of civil automobiles in China is expected to continue growing in the next several years and amount to 342.0 million in 2022, representing a CAGR of 9.0% from 2018 to 2022.

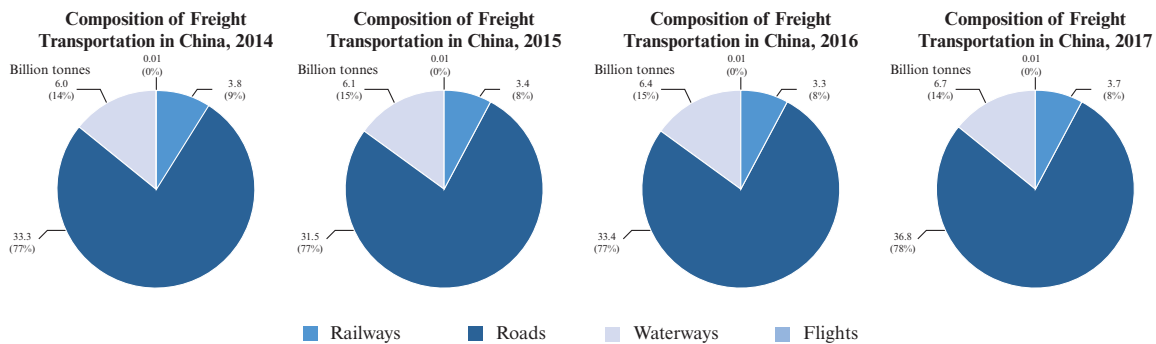
Comparison of Civil Automobile Ownership between China and developed countries

According to the data issued by the United Nations, the civil automobile ownership per thousand persons in China was 130.5 in 2016, which was far less than those of developed countries such as the United States (348.2 per thousand persons), Japan (479.8 per thousand persons), Germany (551.0 per thousand persons) and United Kingdom (469.7 per thousand persons). It means that there will be huge potential for growth in the civil automobile market in China, which will boost the highway construction in China.

Total Value of Goods Transported in China

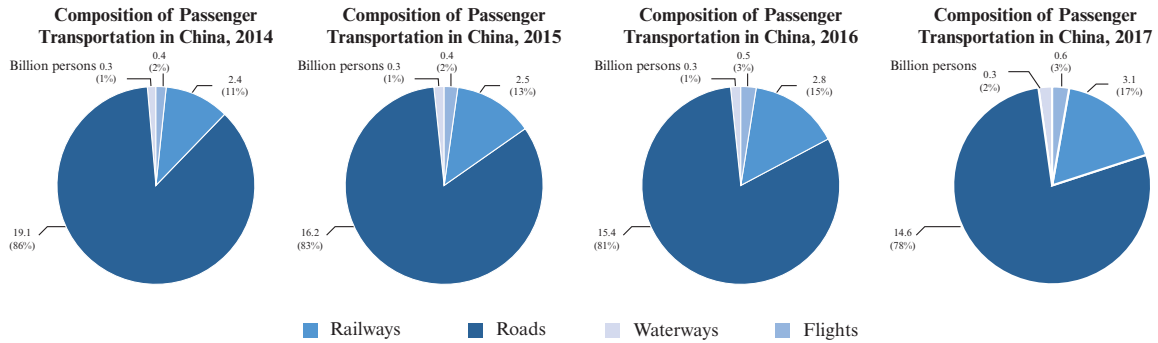
According to the NDRC, the total value of goods transported in China increased from RMB177.3 trillion in 2012 to RMB252.8 trillion in 2017, representing a CAGR of 7.4%. In line with the steady economic growth and surge in disposable income per capita, it is estimated that the total value of goods transported in China will also increase rapidly from RMB274.8 trillion in 2018 to RMB389.7 trillion in 2022, representing a CAGR of 9.1%.

Volume and Composition of Freight and Passenger Transportation in China ^(Note)



Note: The statistics for 2011 to 2013 is not included because since 2013, the MOC has changed the basis of the statistics of road transportation.

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Source: the MOT; Frost & Sullivan

SOCIAL AND ECONOMIC DEVELOPMENT OF SHANDONG PROVINCE AND MAJOR CITIES ALONG THE JIHE EXPRESSWAY

Nominal GDP of Shandong Province and Forecast

Driven by factors including the development of technology industry, the rapid growth of advanced production and active development of private economy, the nominal GDP of Shandong Province increased at a CAGR of 7.9% from RMB5.0 trillion in 2012 to RMB7.3 trillion in 2017 according to the National Bureau of Statistics of China. Being the third most economically-developed province in China, the nominal GDP of Shandong Province has accounted for around 9% of the nominal GDP of China for many consecutive years. With the implementation of the regional development strategies under the “Belt and Road Initiative”, the economy of Shandong Province is expected to maintain its rapid growth in the coming several years, providing great support to the development of expressway industry. The nominal GDP of Shandong Province is estimated to increase from RMB8.0 trillion in 2018 to RMB11.4 trillion in 2022, representing a CAGR of 9.3%.

Civil Automobile Ownership in Shandong Province

Driven by rapid economic growth and increase in household income, the civil automobile ownership in Shandong Province increased rapidly at a CAGR of 13.6% from 10.3 million in 2012 to 19.5 million in 2017, according to the National Bureau of Statistics of China. Furthermore, the Shandong Province has been ranked number one in terms of civil automobile ownership among the provinces in China for many years. In 2017, the automobile in Shandong Province remained higher than those of other economically-developed provinces including Guangdong, Henan, Jiangsu and Hebei. In line with the stable growth in economy, the civil automobile ownership of Shandong Province is expected to increase at a fast pace and will boost the development of expressways in the coming several years.

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Total Value of Goods Transported in Shandong Province

In line with the continuous growth in economy, the total value of goods transported in Shandong Province increased from RMB15.0 trillion in 2012 to RMB25.0 trillion in 2017 at a CAGR of 10.8%, according to the National Bureau of Statistics of China. It is estimated that the total value of goods transported in Shandong Province will be RMB26.9 trillion in 2018 and will increase to RMB42.3 trillion by 2022 at a CAGR of 12.0%.

Social and Economic Development of Major Cities along the Jihe Expressway

The Jihe Expressway passes through four major cities, namely Jinan, Tai'an, Jining and Heze. Jinan, the capital of Shandong Province, is located in mid-west of Shandong Province. It is one of the fifteen sub-provincial cities in China and the political, cultural and educational centre of Shandong. Jinan is an economically critical intersection of Bohai Economic Rim and Beijing and Shanghai. Tai'an is a prefectural-level city of Shandong Province, and where Mount Tai is located. Situated in the central of Shandong Province, Tai'an is a renowned historical and cultural city, known as the capital of the Five Great Mountains (五嶽之都), and one of China's outstanding tourist cities. Jining is prefectural-level city of Shandong Province. It is located in southwest of Shandong Province and the intersection of North China Plain and Luzhongnan Mountain. Jining is one of the major industrial cities of Shandong Province and central city of the Lunan economic belt. Heze is located in the southwest of Shandong Province and the intersection of four provinces, namely Shandong, Jiangsu, Henan and Anhui. Heze has extensive history and profound cultural heritage.

GDP of major cities along the Jihe Expressway

	Urban GDP (RMB in billions)						
	2011	2012	2013	2014	2015	2016	2017
Jinan	440.6	481.3	523.0	577.1	610.0	653.6	720.2
Tai'an	230.4	254.7	279.1	300.2	315.8	331.7	358.5
Jining	289.7	318.9	350.2	380.0	401.3	430.2	465.1
Heze	155.7	178.7	205.0	222.2	240.1	256.0	282.0
Total	1,116.4	1,233.7	1,357.2	1,479.5	1,567.3	1,671.5	1,825.8
Percentage to total GDP of Shandong Province .	<u>24.8%</u>	<u>24.7%</u>	<u>24.7%</u>	<u>25.1%</u>	<u>24.9%</u>	<u>25.0%</u>	<u>25.0%</u>

Source: National Bureau of Statistics of China; Frost & Sullivan

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Population of major cities along the Jihe Expressway

	Urban population (people in ten thousands)						
	2011	2012	2013	2014	2015	2016	2017
Jinan	688.5	695.0	699.9	706.8	713.2	723.3	732.1
Tai'an	551.4	552.9	556.8	558.1	560.1	563.7	564.5
Jining	812.9	815.8	820.6	824.0	829.9	835.4	837.6
Heze	831.9	833.8	836.8	843.8	850.0	862.3	873.6
Total	2,884.7	2,897.5	2,914.1	2,932.7	2,953.2	2,984.7	3,007.8
Percentage to total population of Shandong Province . . .	<u>29.9%</u>	<u>29.9%</u>	<u>30.0%</u>	<u>30.0%</u>	<u>30.0%</u>	<u>30.0%</u>	<u>30.1%</u>

Source: National Bureau of Statistics of China; Frost & Sullivan

Civil automobile ownership in major cities along the Jihe Expressway

	Urban civil automobile ownership (vehicles in ten thousands)					
	2011	2012	2013	2014	2015	2016
Jinan	92.8	105.7	121.3	138.1	154.1	174.1
Tai'an	34.0	39.3	45.3	50.4	56.1	63.5
Jining	55.2	63.6	73.8	82.8	92.3	108.9
Heze	42.5	48.1	54.1	59.8	66.5	76.9
Total	224.5	256.7	294.5	331.1	369.0	423.4
Percentage to total civil automobiles ownership in Shandong Province . .	<u>26.4%</u>	<u>22.9%</u>	<u>23.0%</u>	<u>23.5%</u>	<u>23.8%</u>	<u>24.2%</u>

Source: National Bureau of Statistics of China; Frost & Sullivan

Freight turnover and passenger turnover of Shandong Province and cities along the Jihe Expressway

		2014	2015	2016
Freight turnover (billion tonnes km).	Jinan, Tai'an, Jining and Heze	132.4	136.6	141.1
	Shandong Province	571.1	587.7	607.1
Passenger turnover (billion persons km).	Jinan, Tai'an, Jining and Heze	14.2	13.1	13.0
	Shandong Province	51.1	47.1	47.2

Source: National Bureau of Statistics of China; Frost & Sullivan

OVERVIEW OF EXPRESSWAYS IN CHINA

The constructions of “5-7 National Trunk Highway Network” (國道主幹線「五縱七橫」) (it is the main highway framework primarily consisting of expressways constructed according to the planning of the PRC. With a total length of approximately 35,000 km, it connects all major cities, industrial centres, transportation hubs and major land intersections, including all mega-cities with a population of over 1 million each and most of the medium-sized cities with a population of over 500,000 each.) were completed by the end of 2007. In 2015, the “7-9-18” (七射九縱十八橫) national expressway network with a total length of approximately 85,000 km was basically completed. The national expressway network covers a population of over 1 billion and comprehensively connects cities with a population of over 200,000 each. It is expected that a series of national expressway network plans will be implemented, including the “7-11-18” (七射十一縱十八橫) national expressway network with a planned total length of approximately 118,000 km in the future and an additional expressway network with a total length of 18,000 km which will be primarily located in sparsely populated areas in the western district in the long run. With the opening and connection of various long-distance and multi-provincial expressways, such as Beijing-Shanghai Expressway, Beijing-Shenyang Expressway and Shanghai-Hanzhou-Ningbo Expressway, the traffic congestions on major highways and roads in the PRC have been alleviated notably.

With the economic growth and technological advancement, car price has sharply dropped and private car has become the most common and convenient means of transportation for daily trips and outings, which contributes to a considerable increase in annual average daily traffic flow in the PRC. Besides, the rise of logistics industry has promoted the growth of land transportation, which has had a positive influence on the annual average daily traffic flow. According to the MOT, the annual average daily traffic flow of expressways in the PRC⁽¹⁾ increased from 21,305 vehicles/day in 2012 to 26,328 vehicles/day in 2017 at a CAGR of 4.3%. Following the increase in automobile ownership and the launch of a series of supporting policies for expressway network development, it is expected that the annual average daily traffic flow of expressways in the PRC will reach 32,241 vehicles/day by 2022, with a CAGR of 3.7% from 2018 to 2022.

As such, there has been a significant increase in the demand for high quality expressways in China, prompting the government to keep improving the established highway network in the past few years. According to the National Bureau of Statistics of China, the total length of expressways in the PRC was 96,200 km in 2012 and reached 136,500 km in 2017, representing a CAGR of 7.2% over the period. As the development of expressway network has become one of the most important agendas in the Thirteenth Five-year Plan, the total length of expressways in the PRC is expected to achieve continual growth over the coming several years, but the government will place more emphasis on improving the quality of existing expressways instead of constructing new expressways.

Note:

⁽¹⁾ The above “average daily traffic flow of expressways in the PRC” refers to the average of average daily traffic flow of all expressways in the PRC weighted by the mileage travelled by each vehicle during a given year. The average daily traffic flow of each expressway refers to the average of daily traffic flow in each segment of the expressway weighted by the mileage of each segment.

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Hence, the total length of expressways in the PRC is experiencing a slower growth as compared to the previous years and is expected to reach 198,600 km by 2022 at a CAGR of 8.5% from 2018.

Overview of Expressways in Shandong Province

Shandong Province is at the intersection of the Yellow River Economic Belt and the Bohai Rim Economic Zone as well as the northern and eastern China, occupying a pivotal position in the national economy. In 2016, Shandong Province ranked third across the country in terms of GDP, only after Guangdong Province and Jiangsu Province. Its great economic strength has stimulated the demand for transportation industry and facilitated the construction and development of expressways. Construction of expressways in Shandong Province has commenced since 1990 and 68 expressways have been built and commissioned by 2017 with a total length of 5,821 km. Shandong Province has become one of the major provinces of transportation in the PRC and its contribution to expressway transportation is becoming more significant.

The construction progress of expressways in Shandong Province has been accelerating. With the construction of 7 expressways in Shandong Province with a total length of 730 km commenced in 2016, there have been 20 expressway projects in progress in Shandong Province with a total length of approximately 1,962 km, including new sections of 1,328 km and expanded sections of 634 km. The total investment is approximately RMB192.1 billion. Shandong Province has become one of the provinces which have the greatest scale of expressway construction works in progress.

Development Model of Expressways

The “build-operate-transfer” model is usually adopted by expressway companies for the development of expressways. Expressway construction is initially planned by the government, and shall be financed and constructed by sections by the expressway companies selected through tender. Expressway companies are granted the concessionary right to exclusively operate the expressways during a period of time to receive toll as returns of their investments. The right of operation will be redeemed by the government upon expiry of the tolling period. Other commonly adopted models for development of expressway include “Build-Own-Operate-Transfer”, “Build-Own-Operate”, “Build-Lease-Transfer”, “Build-Transfer”, involving different modes of cooperation between the government and expressway companies.

Road Toll in the PRC and Shandong Province

The right to operate a toll road must be granted by the respective local government, and the toll rates shall be approved by the provincial government after being reviewed by the competent transport authority under provincial people’s government and competent pricing authority at the same level. Vehicles are charged by vehicle type and weight according to the national pricing policies. The term of operating an expressway usually ranges from 25 to 30 years according to the Regulations on the Administration of Toll Roads (《收費公路管理條例》). Upon the expiry of the tolling period, the expressway will be

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operated as a property for public use and the operating expenses incurred by the expressway companies during the tolling period shall be reimbursed by the government. The term of operating an expressway will have a direct influence on its profitability.

According to the MOT, toll income from toll roads in the PRC has maintained stable growth, increasing from RMB386.9 billion in 2012 to RMB454.9 billion in 2016 at a CAGR of 4.1%. With the increase in the total length of toll roads, it is expected that the toll income will reach RMB531.6 billion by 2022, growing at a CAGR of 2.7% from 2017 to 2022. Since the government of the PRC has reduced the toll rates of class I highway and class II highway, the toll income from toll roads will be mainly derived from the toll from expressways.

Along with the increasing length and road capacity of expressways, toll income of expressways in Shandong increased from RMB19.9 billion in 2012 to RMB22.8 billion in 2016 at a CAGR of 3.5%, according to the National Bureau of Statistics of China. According to the announcements of the MOT, in order to meet the huge capital demand for construction and maintenance of expressways, expressways in China will continue to charge toll in the next few years. Although toll rates will not be raised in the short run, the continuous increase in length and traffic flow of expressways will lead to a higher toll income of expressways in Shandong. The toll income of expressways in Shandong is expected to reach RMB34.5 billion by 2022 at a CAGR of 8.3% from 2017.

For details of the toll by vehicle type for expressways in Shandong Province, please refer to the sub-section headed “Business — Expressway Operations — Toll Rates” in this prospectus.

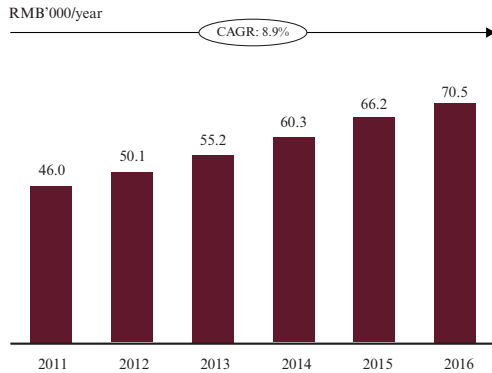
Major Operating Costs of Expressways in Shandong Province

Operating costs of expressways in Shandong Province mainly include maintenance costs (including mainly cost of raw materials for maintenance and labour cost).

The raw materials for operating and maintaining expressway primarily include asphalt and cement. With the crude oil prices decreasing over the years, the raw material cost for producing asphalt has decreased. The market price of asphalt in Shandong decreased from RMB4,978.4 per tonne in 2012 to RMB2,090.7 per tonne in 2016. Due to the excessive production capacity of cement in China, there has been oversupply in the market. The market price of cement decreased from RMB394.2 per tonne in 2012 to RMB313.7 per tonne in 2016.

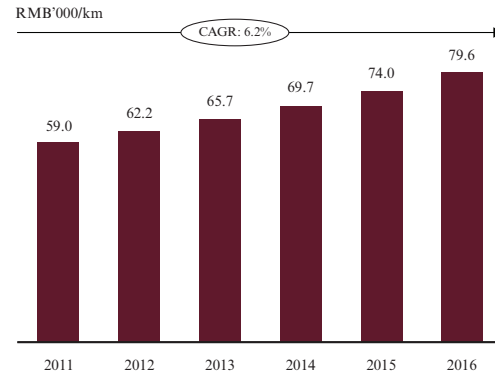
INDUSTRY OVERVIEW

Average salary of the transportation, storage and postal services sector in Shandong, 2011–2016



Source: National Bureau of Statistics of China, Frost & Sullivan

Average maintenance cost of expressway in Shandong^(Note), 2011–2016



Source: Frost & Sullivan

ENTRY BARRIERS AND COMPETITION OF EXPRESSWAY CONSTRUCTION AND OPERATION INDUSTRY

Funds: Construction contractors of expressway need to make huge amount of initial investment in specialised construction equipment and other fixed assets and they mainly obtain funds from loans and bonds as they have limited financing channels. However, taking into account the solvency of the contractors, banks are more willing to grant loans to large and well-established contractors with good market reputation, which creates an entry barrier relating to fund for new expressway contractors in China.

Talents: For the construction of expressway, personnel with professional knowledge in all aspects of highway construction are crucial to ensure the quality of expressway. In addition, construction contractors of expressway shall obtain Class A Qualification for General Contracting of Highway Construction (公路工程施工總承包一級資質), which stipulates the required number of professional personnel in the market employed by contractors. However, as there are limited number of professional personnel and such personnel are more willing to work for large and well-established contractors with good reputation and competitive remuneration packages, new expressway contractors in China have to overcome entry barrier in relation to recruitment of talents and are difficult to compete with established companies.

Regulation: Expressway market in China is subject to strict regulation of the government. Contractors are required to obtain government approvals in respect of the route planning, construction and operation of the expressway, and the relevant administrative approval procedures of the government usually take a long period of time.

^{Note:} The average maintenance cost only includes routine maintenance cost of expressway and excludes costs relating to intermediate and major repair and reconstruction.

INDUSTRY OVERVIEW

In addition, a contractor may have a regional monopoly if it obtains concessionary right to operate the expressway, creating an entry barrier in relation to regulation for new expressway contractors in China.

Competition: For the analysis on competition, please refer to the sub-section headed “Business — Competition” in this prospectus.

PLANNING AND DEVELOPMENT OF EXPRESSWAYS IN THE PRC AND SHANDONG PROVINCE

High quality inter-city expressways play an important role in the economic development. In recent years, the PRC Government has particularly paid attention to the improvement of expressway networks, in particular the expressway networks in central and western China, to facilitate economic development. The PRC Government has announced various policies and regulations, including the National Highway Network Plan for 2013–2030 (《國家公路網規劃(2013–2030年)》). According to the National Highway Network Plan for 2013–2030 (《國家公路網規劃(2013–2030年)》), there is a total national expressway mileage of approximately 25,000 kilometers under construction. The central and provincial government would continue to propel the construction of national expressways which are of great importance to the interconnections between provinces, regions and cities, so that higher transportation efficiency and capacity would be reached. The Jihe Expressway would also benefit from the optimization of the expressway networks in China.

The pace of expressway construction in Shandong Province has been increasing. Currently, there are 20 expressway projects in progress in Shandong Province with a total length of approximately 1,962 km. It is one of the provinces which have the greatest scale of expressway construction works in progress. The Shandong Provincial Government has continued to exert greater efforts in the construction of expressways and it issued the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2014–2030) (《山東省高速公路網中長期規劃(2014–2030)調整方案》) in November 2016. Pursuant to the plan, the total length of expressways in Shandong Province will reach 8,300 km by 2030 and interconnection of each county (縣縣互通) will be achieved. By the end of the Thirteenth Five-year Plan period, the total length of expressways in Shandong Province will reach 7,600 km.

While accelerating the construction of expressways, the Shandong Provincial Government has also focused on improving the quality of expressways. It is expected that the total length of roads in Shandong Province will be approximately 46,000 km and the total length of roads with six lanes or above will be over 4,300 km by 2030 i.e. the aggregate length of all lanes of roads with six lanes or above will be more than 25,800 km, accounting for over 50% of the total length of roads. By the end of the Thirteenth Five-year Plan period, the total length of roads with six lanes or above in Shandong Province will be more than 2,600 km i.e. the aggregate length of all lanes of roads with six lanes or above will be more than 15,600 km, accounting for more than 30% of the total length of roads.

INDUSTRY DEVELOPMENT TREND

Increasing Industry Consolidation: In this capital-intensive industry, to enhance the flexibility and efficiency and lower the daily operating cost, it is expected to see more merger opportunities and large construction contractors or operators will acquire small and medium-sized enterprises to form industrial groups. Due to the vast geographic expanse, the construction contractors and operators in the PRC expressway industry are highly dispersed at present and one construction contractor or operator usually operates in a specific region or manages a single expressway, which has started to limit the development of the toll expressway industry. The industrial group will achieve better allocation of resources and hence improve the operating efficiency in the industry.

Diversified Business Scope: To further stimulate the development of the industry, expressway operators are expected to develop new business opportunities and establish diversified business scope in the next few years, as the business scope of expressway operation enterprises is unitary at present, which limits the industry development. Hence, some large, well-established expressway operators with abundant experience in the market will start to provide consulting services or value-added services for other enterprises in the market, such as daily maintenance, to expand their business scopes.

Technology Advancement: With the development of Internet of Things, expressway operators are expected to adopt more innovative technologies to achieve intelligent transportation, aiming to reduce traffic congestion and traffic accidents. Moreover, expressway construction contractors will develop and apply more environmental-friendly materials for the construction and daily maintenance in order to reduce the construction pollution and extend the service life of expressway. Some construction contractors have successfully deployed green snowmelt agent to reduce the corrosion of traditional snowmelt agent on the expressway.

REGULATORY OVERVIEW

The operation of our Group is and will continue to be affected by the laws and regulations of China. The relevant laws and regulations are promulgated and implemented by the government departments of China. This section contains a summary of the existing regulatory and legal requirements in relation to the operation of our Group. The laws and regulations are subject to changes and our Group is unable to predict the impacts of the changes to our operation and the additional costs of compliance. Our Directors, having made reasonable enquiries, confirm that our Group has not materially violated any laws and regulations as at the Latest Practicable Date. Since its establishment, our Group has complied with applicable laws and regulations in the places of its business operation. Our Directors, having made reasonable enquiries, also confirm that our Group has obtained all necessary business licenses and the Toll Approval.

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The planning, construction and operation of expressways in China, including the planning, initial approval, surveying, design, construction, environmental protection, land development and granting of concession of highway projects, are subject to strict administration of various government authorities. The laws and regulations currently applicable to our Company mainly includes PRC Company Law, Highway Law of the People's Republic of China (《中華人民共和國公路法》) (the “**Highway Law**”), Law on Sino-Foreign Joint Ventures of the People's Republic of China (《中華人民共和國中外合資經營企業法》) (the “**Law on Sino-Foreign Joint Venture**”), as well as relevant regulations, policies, rules and other regulatory documents.

MAJOR REGULATORY AUTHORITIES

A. NDRC/SDRC

NDRC is responsible to plan the layout of key construction projects and productivity; formulate regulatory targets, policies and measures concerning the total size and structure of fixed asset investment in the whole society; arrange and coordinate dedicated plans that involve central government investment and key construction projects in accordance with balanced needs; arrange fiscal expenditure of the central government for economic construction; examine, approve and review key construction projects and foreign-funded key projects as authorised by the State Council.

SDRC is responsible to undertake the overall management of fixed asset investment; formulate regulatory targets, policies and measures concerning the total size and structure of fixed asset investment in the whole society; plan the layout of key construction projects and productivity of the province; arrange and coordinate dedicated plans that involve provincial government investment and key construction projects in accordance with balanced needs; examine, approve, file, review and report fixed asset investment projects, foreign-funded projects, and overseas investment projects as authorised.

B. MOT/Shandong Provincial Traffic Transport Department

MOT is responsible to organise the formulation of industrial plans, policies and standards on highways and supervise the implementation thereof; supervise and administer the highway construction market; give guidance to the safe production and emergency responses of the highway industry; put forward opinions on the scale and orientation of investments in and the arrangement of financial capital of the state for highway fixed assets; examine and approve the fixed asset investment projects within the scale of the national plan and annual plan as authorised by the State Council; formulate relevant toll policies on highways and supervise the implementation thereof; and give suggestions on policies regarding finance, land and price.

Shandong Provincial Traffic Transport Department is responsible to:

1. strictly implement the transport laws, regulations, orientation and policies and draft applicable local regulations and rules; formulate layouts, plans, policies and standards for the highway industry of the province and supervise the implementation thereof; supervise and administer the road transportation market; formulate policies, entry systems, operational regulations, technical standards of the road transportation and supervise the implementation thereof; give guidance to the management of the road transport service industry; supervise and administer the highway construction market; formulate policies, systems and technical standards regarding highway construction and supervise the implementation thereof; organise and coordinate the construction as well as the supervision and management of project quality and safe production of key highway-related projects; and give guidance to the management and maintenance of highway infrastructures.
2. put forward opinions on the scale and orientation of investments in and the arrangement of financial capital of the state for highway fixed assets; formulate relevant toll policies for highways within the province and supervise the implementation thereof; give suggestions on policies regarding finance, land and price; examine and approve toll standards and establishment of highway speed limit inspection stations; formulate the layout of national highways and provincial highways within the province, and organise the construction, maintenance and management of highways and ancillary facilities; plan the layout of the expressways in the province; supervise and give guidance to the construction, maintenance, operation and management of the expressways in the province; give guidance to environmental protection, energy saving and emission reduction, safe production and emergency responses of the highway industry.

C. MNR/Shandong Provincial Department of Land and Resources

MNR is responsible for overseeing the development and protection of natural resources, setting up, supervising and implementing a spatial planning system, performing responsibilities of owners of all and various natural resources assets by the whole people,

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unifying research and right confirmation and registration, establishing a system for paid use of natural resources, and is responsible for management of surveying and geological exploration industries.

Shandong Provincial Department of Land and Resources is responsible to compile the comprehensive planning for land and other specific plans and programmes and coordinate the implementation in the province thereof; give guidance to and review the relevant planning of land and resources in accordance with laws; enforce the control over the land use purposes, the conversion of farmland for other purposes and land acquisition and requisition, formulate and implement cadastral regulations, organize land survey and cadastral survey and give advice on land survey, cadastral survey, verification of land ownership and other tasks; regulate the title management of state-owned land resources and protect the legal rights of the owners and users of natural resources such as land resources; establish a centralised procedure and system for the registration of real estate and supervise the registration of land and buildings in the province; and formulate and implement measures for the assignment, lease, evaluation contribution and transfer of land use rights according to the relevant regulations.

D. MOFCOM/Department of Commerce of Shandong Province

MOFCOM is responsible to regulate all foreign investments in China, formulate and implement foreign investment policies and reform proposals, approve the establishment and alteration of foreign-funded enterprises in accordance with laws; approve the major alterations of foreign-funded enterprises as stipulated by contracts, bylaws and special provisions of laws; supervise and examine the compliance of laws, regulations, rules, contracts and bylaws by foreign investors and coordinate the resolution of disputes thereof, promote and approve foreign investment, and regulate the introduction of foreign investment.

The Department of Commerce of Shandong Province is responsible to guide and manage foreign investments within the province; formulate development plans and policies to encourage foreign investments in the province; verify and examine the establishment and alteration of foreign invested enterprises within its scope of authorisation; supervise and examine the compliance of relevant laws, regulations and rules, contracts and articles of association by the foreign invested enterprises in accordance with laws and coordinate and solve problems thereof; and coordinate and give guidance to the introduction of foreign investment.

E. MEE /Department of Environmental Protection of Shandong Province

MEE is responsible for compiling and implementation of ecological environment policies, plans and standards, and is solely responsible for ecological environment monitoring and law enforcement, regulating pollution control and nuclear and radiation safety, and organizing inspections of central authorities on environmental protection.

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The Department of Environmental Protection of Shandong Province is responsible to prevent and control environmental pollution and damage from the sources and conduct environmental impact assessment on major economic and technical policies, development programs and major economic development plans; inspect the project planning, and examine and approve the environmental impact assessment documents regarding the areas and projects of major development and construction according to relevant regulations.

F. Others

The design, construction and inspection upon completion of highways shall be governed by the local quality supervision departments in the regions where the highways are located. Toll collection shall be subject to the approval of provincial pricing departments.

MAJOR APPLICABLE LAWS AND REGULATIONS AND REGULATORY DOCUMENTS

Laws and Regulations in Relation to Sino-Foreign Joint Ventures

The Company Law was approved by the Standing Committee of the National People's Congress (the "**Standing Committee of the NPC**") on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law became effective on 1 March 2014. According to the PRC Company Law, a company established in the PRC may take the form of a limited liability company or a joint stock company with limited liability. The PRC Company Law shall also be applicable to foreign-invested companies with limited liabilities, unless otherwise provided by the relevant laws and regulations.

As a sino-foreign joint venture operating in the PRC, we are subject to the Law on Sino-Foreign Joint Venture. The Law on Sino-Foreign Joint Venture was approved by the second meeting of the NPC on 1 July 1979 and promulgated and implemented on 8 July 1979. It was subsequently amended on 4 April 1990, 15 March 2001 and 3 September 2016. The Implementation Rules for the Law on Sino-Foreign Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法實施條例》) was promulgated by the State Council on 20 September 1983, and was subsequently amended on 15 January 1986, 21 December 1987, 22 July 2001, 8 January 2011 and 19 February 2014. The Law on Sino-Foreign Joint Ventures and its implementation rules state the establishment and approval procedures, requirements on registered capital, restrictions on foreign exchange, accounting practices, taxation, labour requirements and other issues applicable to sino-foreign joint ventures.

According to the Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) which became effective on 28 July 2017 and the Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, foreign investment projects shall be classified as "encouraged", "permitted", "restricted" and "prohibited" in terms of their industries. Industries not listed in the catalogue shall be regarded as permitted. Encouraged foreign investment projects may enjoy preferential policies and incentives provided by the government, while restricted

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investment projects shall be subject to applicable legal and regulatory restrictions. Prohibited investment projects are banned by law. According to the Catalogue of Industries for Guiding Foreign Investment (2017 Revision), our principal business is classified as “encouraged” industry and is listed in the catalogue of “encouraged” foreign investment industry.

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2017 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2017修訂)》) promulgated and implemented by the MOFCOM on 30 July 2017 set out the prescribed procedures for the establishment and changes of foreign-invested enterprises which are not subject to the special management measures on admission as stipulated by China. Foreign-invested enterprises and their investors shall provide information for filing and completing the declaration form for filing application truthfully, accurately and completely according to such provision measures without any false records, misleading statements or material omission.

LAWS AND REGULATIONS IN RELATION TO HIGHWAYS

Construction and Operation of Highways

The Highway Law approved on 3 July 1997, implemented on 1 January 1998 and subsequently amended on 31 October 1999, 28 August 2004, 27 August 2009, 7 November 2016 and 4 November 2017 regulates the planning, construction, maintenance, operation, use and administration of highways within the PRC, including flyovers, tunnels and ferries of highways. According to the Highway Law, all highways are protected by the PRC Government and no unit or individual may destroy, damage or illegally occupy highways, land or ancillary facilities of highways. The PRC Government encourages domestic and foreign economic organisations to invest in highway construction. In order to raise funds for highway construction, loans can be extended from domestic and foreign financial institutions or overseas governments in accordance with law. Companies engaging in the development and operation of highways may raise funds through issue of shares and corporate bonds according to the laws and administrative regulations. The Highway Law also sets out provisions on various aspects in relation to highway projects such as the planning, construction, maintenance, administration, toll collection, and supervision and inspection.

The Shandong Expressway Regulations (《山東省高速公路條例》), which was approved by the Standing Committee of the Shandong Provincial People’s Congress on 26 October 2000 and became effective on 1 January 2001, regulates and modifies the planning, construction, maintenance, operation, development, use and management of expressway in the administrative region of Shandong. Enterprises with the concession rights of expressway operation shall construct, maintain, operate and develop the expressways according to the laws. The expressway toll collection right and operation period shall be granted according to the applicable requirements of China and the respective provinces. Enterprises engaging in expressway operation shall be supervised and administered by the competent provincial transport departments and their legal interests shall be protected by law.

Technical Standards and Cost Management of Highway Construction Projects

Pursuant to the Highway Law and Technical Standards of Highway Engineering (《公路工程技術標準》) promulgated by the MOT, highways in the PRC are divided into national highways (國道), provincial highways (省道), county highways (縣道) and township highways (鄉道) according to their positions in the highway network, and are further divided into expressways (高速公路), class I highway, class II highway, class III highway and class IV highway, according to the level of their technical standards. Competent transport department of the State Council shall be responsible for the overall administration of highways in China, and competent transport departments of the people's governments at or above the county level shall be responsible for the overall management of highways within their respective administrative regions.

The Provisional Measures for Highway Construction Cost Management (《公路工程造價管理暫行辦法》), which were approved on 31 August 2016 and promulgated on 2 September 2016, and became effective on 1 November 2016, shall apply to the cost management of construction, improvement and expansion of highways within the PRC. For the purpose of these provisional measures, highway construction cost management refers to the determination and control of all costs payable on the entire highway construction projects from the stage of planning to inspection on completion and delivery, including estimated budgets for investment, design and construction drawing, base or maximum bidding price, contractual price, fees for alterations, final settlement on completion and other expenses. The MOT shall be responsible for the overall supervision and management of highway construction costs in China, while the provincial transport departments shall be responsible for the supervision and management of the highway construction costs within their respective administrative regions.

Surveying and Design of Highway Construction

The Regulations on the Administration of Surveying and Design of Construction Projects (《建設工程勘察設計管理條例》) was promulgated by the State Council and became effective on 25 September 2000, and was amended on 12 June 2015 and 7 October 2017, respectively. Surveying and design activities of construction projects shall comply with these regulations. For the purpose of these regulations, surveying refers to the activities of studying, analysing and evaluating the geological and geographical features as well as the geotechnical conditions of the construction sites, and preparing the surveying documents according to the specifications of the construction projects, while project design refers to the activities of analysing and verifying the conditions in respect of technique, finance, resources and environment as required by the construction projects and preparing the corresponding design documents for the projects.

The Administrative Measures on the Alterations of Highway Design (《公路工程設計變更管理辦法》), which was promulgated on 9 May 2005 and became effective on 1 July 2005, shall apply to the alterations of design of highway construction and improvement projects which has been preliminarily approved by the MOC. For the purpose of these administrative measures, alterations of design shall refer to the revisions and improvements made on the approved documents of initial design, technical design or

construction drawing of highway projects during the period from the date of approval for the preliminary design of highway construction to the date of final acceptance and delivery upon passing the inspection on completion. According to these administrative measures, alterations of design can be classified as major alterations, relatively major alterations and general alterations. Major alterations and relatively major alterations of design involve material revisions made on the design documents, which shall be subject to approval according to the procedures as prescribed by the administrative measures. No alterations may be made without approval. No unit or individual may change any approved initial design, technical design or construction drawing of highway construction without approval according to these administrative measures. Alterations of design shall not be subdivided for the purpose of avoiding approval. Once the alterations of design are approved, generally no further change is allowed.

Tendering and Bidding for Highway Construction Projects

The Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》) (the “**Tender Law**”) was approved on 30 August 1999 and became effective on 1 January 2000, and amended on 27 December 2017. The Implementation Rules on the Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) was promulgated on 20 December 2011 and first amendment on 1 March 2017 and second amendment on 19 March 2018. According to the Tender Law and its implementation rules, tendering is required for all construction projects of major infrastructures, public utilities and other projects relating to social and public interests and security within the PRC. For this purpose, construction projects shall include the establishment, improvement, expansion and relevant renovation, demolition and repair of buildings and structures. The construction-related goods shall refer to the equipment and materials which form the integral parts of the construction projects and are necessary for taking the projects to its basic functions, while the construction-related services shall refer to all services in relation to the projects, including the surveying, design, supervisory and other services as required to complete the projects.

The Administrative Regulations on the Tendering and Bidding of Investors for Construction of Commercial Highways (2015 Revision) (《經營性公路建設項目投資人招標投標管理規定(2015修正)》), which were promulgated by the MOC on 16 October 2007, became effective on 1 January 2008 and amended on 24 June 2015, shall apply to all tendering and bidding activities of investors for construction of commercial highways within the PRC. According to these regulations, commercial highways are highways (including bridges and tunnels) constructed by domestic or foreign economic institutional investors and with legal rights to charge tolls upon approval in compliance with the Regulations on the Administration of Toll Roads (《收費公路管理條例》). The competent transport department under the State Council shall be responsible for the supervision and management of all tendering and bidding activities of investors for construction of commercial highways within the PRC, and the competent transport departments under the provincial people’s governments shall be responsible for the supervision and management of the tendering and bidding activities of investors for construction of commercial highways within their respective administrative regions.

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The Administrative Measures on the Tendering and Bidding of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》), which were approved on 2 December 2015 and became effective on 1 February 2016, shall apply to all tendering and bidding of the surveying and design, construction, construction supervision and other activities of the highway construction projects within the PRC. The administrative measures have set out the detailed procedures for the tendering, bidding, bid opening, bid evaluation, bid acceptance, supervision and management of highway construction projects.

Contracting and Subcontracting of Highway Projects

The Administrative Measures on General Contracting of Design and Construction of Highway Projects (《公路工程設計施工總承包管理辦法》), which was approved on 19 June 2015, promulgated on 26 June 2015, and became effective on 1 August 2015, shall apply to the general contracting of all highway construction, improvement and expansion projects as well as the design and construction of independent bridges and tunnels. For the purpose of these administrative measures, the general contracting of design and construction is a form of contracting and contract-issuing under which the surveying and design for construction drawing, project construction and other tasks of the highway project are undertaken by a single general contractor.

The Administrative Measures on Subcontracting of Highway Projects (《公路工程施工分包管理辦法》), which was promulgated on 22 November 2011 and became effective on 1 January 2012, shall apply to the subcontracting of all national and provincial highway construction and improvement (expansion) projects within the PRC. Various tasks of the highway construction projects are encouraged to be subcontracted to different responsible parties under centralised management. The PRC Government encourages specialised subcontracting of highway construction projects in accordance with laws. Contractors shall not conduct subcontracting of construction through labour cooperation.

Construction of Highway Projects

The Administrative Measures on Supervision of Highway Construction (《公路建設監督管理辦法》) was promulgated on 8 June 2006 and became effective on 1 August 2006. The Administrative Measures on the Highway Construction Market (《公路建設市場管理辦法》) was promulgated on 21 December 2004, and subsequently amended on 30 November 2011 and 26 June 2015. According to the above administrative measures, enterprises investing in highway construction projects shall be subject to approval. The highway construction projects shall obtain construction permit and adopt legal person accountability system, tendering and bidding system, project supervision system and contract management system as stipulated by the relevant requirements of the PRC.

Enterprises investing in highway construction shall follow the procedures below:

- (i) compiling a feasibility study report for the proposed highway project under planning;
- (ii) selecting investors through tendering;

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- (iii) preparing the project application report for submission to the competent examination authority for approval by the investor;
- (iv) preparing the preliminary design documents according to the approved application of the project, and submitting those involving tasks related to public interests or public security or tasks subject to compulsory construction standards to the competent transport departments for approval;
- (v) designing the construction drawings based on the preliminary design documents;
- (vi) conducting tendering procedures for the project based on the approved design documents for construction;
- (vii) conducting preparations including land acquisition before the construction commences, and applying for construction permits from the competent transport departments;
- (viii) coordinating the construction works based on the construction permit of the project;
- (ix) preparing completion report, final accounts and reconciliation for final settlement of all payments, and arranging for inspection and acceptance of the project upon the completion of the project;
- (x) arrange post-project evaluation upon passing completion acceptance.

Supervision of Highway Construction Projects

Pursuant to the Measures on the Supervision of Highway Construction Projects (《公路工程施工監理辦法》) promulgated on 16 May 1992 and became effective on 1 June 1992, all large and medium scale highway construction projects under the basic construction plans of highways shall be subject to supervision. Foreign-invested highway construction projects shall also be subject to the regulation of such measures unless otherwise required. Other highway projects may also be supervised based on these measures. Supervision of projects refers to the overall supervision and management of the contract, quality, duration and cost of construction performed by the supervisory unit which has obtained the qualification certificate for supervision of highway construction projects from the MOC as commissioned or engaged by the construction unit.

Safety and Quality of Highway Construction Projects

The Administrative Regulations on Work Safety of Construction Projects (《建設工程安全生產管理條例》) was approved on 12 November 2003 and promulgated on 24 November 2003, and became effective on 1 February 2004. All construction projects in the PRC, including the establishment, expansion, improvement, demolition and other related activities, and the supervision and administration of work safety of construction projects shall abide by such administrative regulations. Under these administrative regulations, construction projects shall include all civil engineering projects, construction projects, installation of wires, pipes and equipment, and renovation projects. The administration of work safety for construction projects shall focus on safety and prevention. All constructors, surveyors, designers, contractors, supervisors and other parties involving in the construction projects relating to work safety must comply with the laws and regulations on safe production and ensure the safety of construction projects, and shall be responsible for production safety in respect of the construction projects according to the laws.

The Regulation on Quality Management of Construction Projects (《建設工程質量管理條例》) was promulgated on 30 January 2000 and amended and implemented on 7 October 2017. All construction projects in the PRC, including the establishment, expansion, improvement, demolition and other related activities, and the supervision and management of the quality of construction projects shall abide by such regulation. Under this regulation, construction projects shall include all civil engineering projects, construction works, installation of wires, pipes and equipment, and renovation works. All constructors, surveyors, designers, contractors and supervisors of the projects shall be responsible for the quality of the construction projects according to the laws.

According to the Administrative Regulations on the Supervision of the Quality of Highway and Water Transport Projects (《公路水運工程質量監督管理規定》) approved on 29 August 2017, promulgated on 4 September 2017 and implemented on 1 December 2017, highway construction units shall be responsible for the quality of projects and shall submit relevant documents to competent transport authority or its designated quality supervision authority in accordance with the PRC laws and regulations to complete the procedures of quality supervision. Highway construction units shall obtain construction permit or complete formalities for filing before commencing construction. Before the completion checking of the highway, construction units shall arrange inspection of the quality of project and issue quality appraisal report on delivery checking and submit the same to the construction quality supervision authority appointed by the competent transport authority.

Completion (Delivery) Checking of Construction of Highway Projects

Pursuant to the Measures on Completion (Delivery) Checking of Highway Projects (《公路工程竣(交)工驗收辦法》) promulgated on 31 March 2004 and became effective on 1 October 2004 and the Implementation Rules of Measures on Completion (Delivery) Checking of Highway Projects (《公路工程竣(交)工驗收辦法實施細則》) became effective on 1 May 2010, two stages of inspection, namely the delivery inspection and completion inspection, shall be conducted for all highway projects. Highways may only be delivered and put into operation after both inspections are completed and passed.

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According to the measures on inspection, delivery inspection shall be arranged by the project company with the participation of the highway designer, project supervisor and construction unit. Delivery inspection examines the performance of construction contracts and assesses whether the quality of construction meets the standard and designed requirement and whether the section may be delivered for construction of the next phase. The delivery inspection also examines whether the highway meets the requirement for open for traffic and conducts preliminary assessment of the construction units. After the delivery checking of each contracted highway section is conducted, the project company shall prepare a project delivery inspection report. This report shall be filed with the competent transport department. The quality supervision authority shall submit the inspection report to the competent transport authority. If the competent transport department makes no comments on the report within 15 days after the filing, the highway may be put into trial operation. The maximum trial operation period is three years. After the first two years of trial operation, the project company may apply for completion inspection which shall be arranged by the competent transport department. The purpose is to assess the construction and quality of the highway, and to assess the performance of each participant and the highway construction project. If the highway is in compliance with the design standards and the requirements set out in the construction contract, governmental permits and relevant laws and regulations, the competent transport department will issue an appraisal report on completion inspection of the construction project. If the project company fails to file an application for completion inspection before the expiry of the three-year trial operation period, the competent transport department may order the project company to do so. If the project company fails to comply with the order, the competent transport department may suspend the trial operation of the highway.

The Administrative Measures on Filing of Documents for Completion of Highway Projects (《公路工程竣工文件材料立卷歸檔管理辦法》) was promulgated and became effective on 13 June 2001. According to these administrative measures, the documents for completion of highway projects include all records in respect of the highway construction and improvement projects (including all independent bridges, tunnels and ferries of the highways) with preservation and reference values in any formats and maintained via any media since the establishment of the project till its completion inspection. All constructors, surveyors, designers, contractors and supervisors shall include the filing of such documents for completion of highway projects into their management of highway construction projects. A management team accountable for the filing of highway project documents shall be appointed and specialised staff shall be held responsible for the documentation and filing of highway project materials to ensure the completeness, accuracy and systematic management of the documents for the completion of highway construction projects.

Concessions

The Measures for the Administration of Concessions for Infrastructure and Public Utility (《基礎設施和公用事業特許經營管理辦法》), promulgated on 25 April 2015 and became effective on 1 June 2015, regulates and defines the concession for infrastructure and public utilities, including energy, transportation, water conservancy, environmental protection and municipal engineering. According to the administrative measures, concession for infrastructures and public utilities refers to the authorisation of the government to legal persons or other organisations within or outside the PRC according to the laws through competitive methods to engage in the investment, construction and operation of infrastructures and public utilities in order to provide goods or services for the public within the prescribed time period and scope in exchange for profits as stipulated in an agreement that specifies the rights, obligations and sharing of risks.

The Measures for Transfer of Rights and Interests in Toll Roads (《收費公路權益轉讓辦法》), promulgated on 20 August 2008 and became effective on 1 October 2008, regulates and defines the transfer of rights and interests in toll roads in the PRC. Subject to stringent control, rights and interests in toll roads in the PRC may be transferred to the extent as permitted by the laws. Taking into consideration of factors including the necessity, rationality and social affordability, conversion of a government-repaying-loan highway to a commercial highway in the PRC is subject to stringent restrictions.

Toll Collection and Set-up of Toll Stations

According to the Highway Law, development of toll roads (including bridges and tunnels) in the PRC is permitted, subject to the limitation on the number of toll roads. The following types of highway which meet the technical grades and scale stipulated by the competent transport authority of the State Council may collect toll in accordance with laws: (1) a highway constructed by the local transport department under the government at county level or above with loans, or funds raised from enterprises or individuals; (2) a highway for which the domestic or foreign economic organisations have been assigned with the right to collect tolls; and (3) a highway constructed with funds contributed by domestic or foreign economic organisations.

Pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》) issued by the State Council on 13 September 2004 and became effective on 1 November 2004, the construction of toll roads shall comply with the following technical level and scale: (1) expressway with consecutive mileage of no less than 30 km, except for the expressway linking the urban areas of a city to its local airport; (2) class I highway with consecutive mileage of no less than 50 km; and (3) independent bridges and tunnels with two lanes of at least 800 m, or independent bridges and tunnels with four lanes of at least 500 m. No toll collection is allowed for highways of the class II or below. However, for class II highway with consecutive mileage of 60 km or above locating in the provinces, autonomous regions or municipalities directly under the Central Government in the central and western China as recognised by the state, toll collection may be allowed upon approval. The right of the operator of a toll road includes the rights to collect tolls, operate the advertisements along the highway and operate the service facilities along the highway.

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According to the regulations, the setup of toll collection stations on toll roads shall be subject to the examination and approval of the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government according to the following provisions: (1) No toll collection station may be established on the main lane of any highway and other closed toll roads apart from the entry and exit at the two ends, unless there is real necessity to set up toll collection stations between provinces, autonomous regions, and municipalities directly under the Central Government; and (2) the space between two neighboring toll collection stations shall be no less than 50 km in the same main road of a non-closed toll road.

The concession period for toll collection of any toll road shall be subject to the examination and approval of the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government in light of the following standards: (1) The concession period for toll collection of the road whose loans are repaid by the government shall be determined according to the principle of loans being repaid by the tolls collected and onerously raised funds being repaid by the tolls collected. The maximum concession period may not exceed 15 years. The maximum concession period for toll collection of the road whose loans are repaid by the governments of the provinces, autonomous regions, and municipalities directly under the Central Government in the middle and western areas as determined by the state may not exceed 20 years; and (2) The concession period for toll collection of for-profit roads shall be determined in light of the principle of redemption of investment with reasonable returns. The maximum concession period may not exceed 25 years. The maximum concession period for toll collection of for-profit roads of the provinces, autonomous regions, and municipalities directly under the Central Government in the middle and western areas as determined by the state may not exceed 30 years.

According to the Highway Law, where the toll collection right of a toll road is acquired from a third party (including the government or investor of the highway), such right shall be recovered by the transferor when the toll collection right contract expires. For a toll road constructed and operated by domestic and foreign investors, such highway shall be recovered free by the state and managed by the competent transport department afterwards. The Highway Law also regulates that the transfer of toll collection right of national highways within toll highways shall be reported to the competent transport authority of the State Council for filing within 30 working days after the execution of the transfer agreement. For the transfer of toll collection right of highways other than national highways, the transfer shall be reported to the people's governments of the provinces, autonomous regions or municipalities directly under the Central Government for filing within 30 working days after the execution of transfer agreement.

Pursuant to the Notice of the MOC on Further Regulating the Administration of Toll Roads (《交通部關於進一步規範收費公路管理工作的通知》) issued and approved by the MOC on 27 November 2006, no construction project of class II toll road shall be approved in the eastern areas as determined by the state and the approval for construction projects of class II toll roads in central or western areas as determined by the state shall be subject to stringent limitations.

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Pursuant to the Urgent Notice on Further Improving Policies for Green Passage of Transporting Fresh Agricultural Products (《關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知》) promulgated and implemented by the MOT, the NDRC and the MOF on 26 November 2010, all toll roads have to adopt the policy for Green Passage of transporting fresh agricultural products from 1 December 2010.

Pursuant to the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) promulgated and approved by the State Council on 24 July 2012, small passenger vehicles with seven seats or less are entitled to use expressways during four statutory holidays, including Chinese New Year, Ching Ming Festival, Labour Festival and National Day, free of charge.

The Concession Agreement between our Company and the Shandong Provincial Transport Department clearly specifies the design, supervision, construction, toll rates and concession period of the Jihe Expressway.

Development and Use of Land

Pursuant to the Highway Law, the use of land for highway construction shall be subject to the applicable laws and administrative regulations and shall follow the principles of farmland protection and economical use of land.

The use of land used for highway construction shall also be subject to the applicable laws and regulations of the PRC regarding land administration.

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on 25 June 1986, implemented on 1 January 1987 and amended on 29 December 1988, 29 August 1998 and 28 August 2004, land for building urban infrastructure, public welfare and key transportation infrastructure supported by the State may be obtained through government allocation with the approval of the people's governments at and above the county level.

For the land of Jihe Expressway, MLR issued the Approval of the Land Used for Construction of Jinan — Heze Expressway (《關於濟南至荷澤高速公路工程建設用地的批覆》) on 28 December 2005.

Environment Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989, amended on 24 April 2014 and implemented on 1 January 2015, the Environmental Impact Assessment Law (《環境影響評價法》) promulgated on 28 October 2002, implemented on 1 September 2003 and subsequently amended on 2 July 2016 and the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) which were promulgated and became effective on 29 November 1998 and subsequently amended on 16 July 2017 and implemented on 1 October 2017, the system of environmental impact

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assessment of construction projects is implemented in the PRC. For a construction project which shall prepare an environmental impact report or an environmental impact report form according to laws, the construction unit shall submit the said report or form to the competent environment protection administration authority for approval before commencing construction. Upon completion of the construction project, the construction unit shall conduct completion inspection and prepare an inspection report on the ancillary environmental protection facilities according to the standards and procedures stipulated by the competent environmental administration authority under the State Council. For construction projects involving construction, operation or delivery in phases, the inspection of environmental protection facilities shall also be conducted in the corresponding phases.

MEP has promulgated the Measures for the Implementation by Competent Environmental Protection Departments of Consecutive Daily Penalties (《環境保護主管部門實施按日連續處罰辦法》) on 19 December 2014, which came into effect on 1 January 2015. The measures specify the basis, principle, scope, procedure and method of calculating as to the consecutive daily penalties. The number of days during which polluter is subject to consecutive punishments shall commence from the day immediately following the day when the written decision that orders the polluter to correct illegalities is served on the polluter, and shall end on the day when the relevant competent environmental protection department finds, upon re-inspection, that the polluter's illegal discharge of pollutants has ceased. Polluter is subject to an accumulative consecutive daily penalties if the pollution problems have not been solved upon re-inspection.

Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (became effective on 1 March 1983, and amended on 22 February 1993, 27 October 2001 and 30 August 2013, respectively, with effect from 1 May 2014) and the Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (became effective on 15 September 2002 and which was amended on 29 April 2014), the Trademark Office of the administrative department for industry and commerce under the State Council is responsible for the registration and administration of trademarks in the PRC. The administrative department for industry and commerce under the State Council shall establish a Trademark Review and Adjudication Board responsible for resolving trademark disputes. Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. A trademark registrant enjoys an exclusive right to the trademark. Any mark in the form of a word, graphic, alphabet letter, number, 3D (three dimension) mark, colour combination, sound, or a combination of these elements that can distinguish the products of any natural person, legal person or other organisations from those of others can be registered as a trademark. A trademark for which an application is made must be sufficiently distinctive with obvious characteristics, and must not conflict with the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words "Registered Trademark" on its trademark or use a sign indicating that it is registered. A public announcement shall be made by the Trademark

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Office for the trademark which meets with the requirement upon completion of a preliminary examination. Any prior rights holders or stakeholders may, within three months from the date of announcement, file an opposition against the trademark that has been preliminarily approved upon examination. If no opposition has been received upon expiry of such period, the registration is approved. A certificate of trademark registration will be issued and the trademark will be published. The validity period of a registered trademark is ten years from the date of the approval of registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration must be made within twelve months before such expiration. Where no application has been filed within such period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark will be cancelled immediately. The validity period of a renewed registration is ten years. All renewed registrations shall be published upon approval.

Any of the following acts shall constitute an infringement of the right to the exclusive use of a registered trademark: (1) using any trademark which is identical to a registered trademark on the same kind of products without any licence from the trademark registrant; (2) using any trademark which is similar to a registered trademark on the same kind of products, or using any trademark that is identical to or similar to the registered trademark on similar goods without a licence from the registrant of the registered trademark, which is likely to cause confusion; (3) selling goods that infringe the exclusive use of a registered trademark; (4) counterfeiting or unauthorised production of the label of a registered trademark, or sale of any such label that is counterfeited or produced without authorisation; (5) changing a registered trademark and putting the goods with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to a trademark holder's exclusive right of trademark use.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated on 12 March 1984, implemented on 1 April 1985 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated on 15 June 2001, implemented on 1 July 2001 and amended on 28 December 2002 and 9 January 2010, patents are divided into three categories, namely invention, utility model and design. Invention refers to any new technical solution relating to a product, a process or improvement thereof; utility model refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and design refers to any new design of the shape, pattern, colour or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The validity period of a patent right for invention is 20 years, and the validity period of a patent right for utility model or design is ten years, starting from the date of application.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated on 24 August 2017 and became effective on 1 November 2017, registration of domain name shall follow the principle of “apply first, register first”.

Computer Software Copyright

Pursuant to the Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated and implemented on 20 February 2002, the National Copyright Administration of China (the “NCAC”) is the competent authority for the overall administration of software copyright in the PRC. The NCAC has assigned the Copyright Protection Centre of China (the “CPCC”) as the software registration authority. Upon the approval of the NCAC, the CPCC may establish working offices of software registration at the localities. The software under application for registration shall be developed independently, or the software with significant improvement in functions or performance resulting from the modification of the original software upon the permit of the original copyright owner.

Foreign Exchange

Pursuant to the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and subsequently amended on 14 January 1997 and 1 August 2008, international payment in foreign exchange and transfer of foreign exchange under current accounts, including transactions concerning goods, services, benefits and current transfers in balance of payment, shall not be subject to the restrictions of the government. The foreign exchange income under the current items may be reserved or sold to financial institutions operating the foreign exchange sale or settlement business.

Employment and Social Insurance

Labour Contracts

Pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007 with effect from 1 January 2008 and was subsequently amended on 28 December 2012, an employment relationship shall be protected by a written labour contract, which shall be entered into within one month from the date on which the employee commences work. Where the employer fails to enter into a written labour contract with the employee for more than one month but less than a year from the first date of employment, the employer shall pay the employee twice his or her salary for each month of the relevant period. In addition, if the employer fails to conclude a written labour contract with the employee within one year from the first date of employment, it shall be deemed to have concluded an open-ended contract with the employee.

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Social Insurance and Housing Provident Fund

Pursuant to the Regulation of Insurance for Labour Injury (《工傷保險條例》) promulgated on 27 April 2003, implemented on 1 January 2004, amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued and implemented on 16 July 1997, the Unemployment Insurance Measures (《失業保險條例》) promulgated and implemented on 22 January 1999, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011, employers are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Employers must also apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an employer does not pay the full amount of the social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the shortfall within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administrative department shall impose a fine from one to three times the amount of the overdue payment.

According to the Regulations on the Management of Housing Provident Funds (《住房公積金管理條例》), which were promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2002, an enterprise must register with the competent administrative centre of housing provident fund and, upon the examination by such administrative centre of housing provident fund, complete the procedures for opening housing provident fund accounts for its employees at the authorised bank. Contributions to the housing provident fund must be fully made in a timely manner and no overdue payment or underpayment is allowed. If an enterprise, in violation of the above regulations, fails to make contributions timely or in full to the housing provident funds, the administrative centre of housing provident fund shall order the enterprise to make payment within a prescribed period. If such enterprise still fails to make the payment by the deadline, the administrative centre of housing provident fund may apply to the people's court for compulsory enforcement.

RECENT DEVELOPMENT AND REQUIREMENTS ON PARTY COMMITTEES OF ENTERPRISES IN CHINA

In accordance with the Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises (《中共中央、國務院關於深化國有企業改革的指導意見》), communist party committee, as the political core of the State-owned enterprises including our Company, requests its members to strictly solemn the Party's fine conduct. It also regulates that communist party committee shall protect the workers' legitimate rights and interests to provide political, organisational and intellectual support for the reform and development of State-owned enterprises. Pursuant to the Certain Opinions of the General Office of the CPC Central Committee on Upholding the

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Party's Leadership and Strengthening the Party Construction in Deepening the Reform of State-owned Enterprises (《中共中央辦公廳關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》), the State-owned enterprises including our Company shall insist in the simultaneous development of the Party building and the reform of the State-owned enterprises.

THE LISTING

Pursuant to the Special Regulations promulgated by the State Council and became effective on 4 August 1994, the offering of shares to the foreign specific and non-specific investors and the listing of such shares overseas shall be subject to the approval of the CSRC.

OUR HISTORY

Our Company's history dates back to 2004, when the Jihe Expressway Company, the predecessor of our Company, was established on 6 January 2004 as a limited liability company under the applicable PRC laws, with a registered capital of RMB200.0 million. At the time of its establishment, the Jihe Expressway Company was owned by two shareholders, namely Shandong Construction (then known as Shandong Luneng Infrastructural Engineering Investment Company Limited* (山東魯能基礎工程投資有限公司)) and Shandong Highway Bureau (then known as the Highway Bureau of the Shandong Provincial Transport Department* (山東省交通廳公路局)), which held 60.00% and 40.00% equity interest in the Jihe Expressway Company, respectively. The Jihe Expressway Company underwent several rounds of capital increases and equity transfer since its establishment till the end of 2015. For details of the said capital increases and equity transfer, please refer to the sub-section headed "Capital Increases and Equity Transfers" in this section of the prospectus.

In preparation of the Listing, the Jihe Expressway Company was converted into a sino-foreign joint stock company with limited liability with the company name "Qilu Expressway Company Limited" on 6 December 2016 upon registration with the Jinan City AIC. For details of the said conversion, please refer to the sub-section headed "The Reorganisation — Conversion into a joint stock company" in this section of the prospectus.

Our Company underwent the Subsidiary and Asset Restructuring in April 2017, pursuant to which our Company transferred the entire equity interest in Jihe Service held by our Company and all of our Company's 51.00% equity interest in Jihe Petroleum, respectively, to Qilu Service Development at a consideration of approximately RMB7.6 million and approximately RMB35.0 million, respectively, and Jihe Service transferred the entire equity interest in Shunguang Culture Media held by it to our Company at a consideration of approximately RMB8.0 million. Our Company also transferred the ancillary facility assets along the Jihe Expressway held by it to Qilu Transportation at a total consideration of approximately RMB223.7 million. For details of the said transfers, please refer to the sub-section headed "The Reorganisation — Subsidiary and Asset Restructuring" in this section of the prospectus.

As at the Latest Practicable Date, our registered share capital was RMB1,500 million, divided into 1,500 million Shares of RMB1.00 each, all of which were fully paid up. Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction held 51.90%, 40.00% and 8.10% equity interest, respectively, in our Company. Our principal businesses include the Expressway Business and the Advertisement Business. For details of our business, please refer to the section headed "Business" in this prospectus.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

OUR MILESTONES

The following are the key milestones in our history:

<u>Month/Year</u>	<u>Event</u>
January 2004	The Jihe Expressway Company, the predecessor of our Company, was established.
September 2004 . .	With the authorisation of the Shandong Provincial Government, the Shandong Transport Department entered into the Concession Agreement with us.
December 2004. . .	The construction of the Jihe Expressway was fully commenced.
September 2007 . .	The Jihe Expressway was open to traffic upon completion of its construction.
March 2011	COSCO SHIPPING (Hong Kong) acquired from the Shandong Highway Bureau 40.00% equity interest in the Jihe Expressway Company upon which it was converted into a sino-foreign joint venture limited liability company.
December 2014. . .	Our Company was recognised as one of the Top Ten Civilised Brand of Highway Systems in Shandong Province (山東省公路系統十大文化品牌).
December 2015. . .	Shandong Highway Bureau transferred all of its 51.90% equity interest in the Jihe Expressway Company to Qilu Transportation pursuant to the relevant approvals of the Shandong Provincial Government followed by the completion of the change of business registration. In the same year, our Company assisted the Shandong Transport Department to obtain the Outstanding Unit under the Twelfth Five-year Plan Inspection of National Trunk Highway Maintenance and Management (「十二五」全國幹線公路養護管理檢查優秀單位) ⁽¹⁾ , and the Changqing management centre of our Company was accredited as the Model Team of 2015 National Highway Transportation System (2015年全國公路交通系統「模範班組」).
December 2016. . .	The Jihe Expressway Company was converted into a joint stock company with limited liability with the company name “Qilu Expressway Company Limited”.

Note:

⁽¹⁾ The award was won by the Shandong Transport Department whereas our Company was the unit being inspected.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

<u>Month/Year</u>	<u>Event</u>
April 2017	In preparation of the Listing and to enable us to focus on our core business, our Group carried out the Subsidiary and Asset Restructuring whereby (i) our Company transferred the entire equity interest in Jihe Service held by our Company and all of our Company's 51.00% equity interest in Jihe Petroleum to Qilu Service Development; (ii) Jihe Service transferred the entire equity interest in Shunguang Culture Media held by it to our Company; and (iii) our Company transferred the ancillary facility assets along the Jihe Expressway to Qilu Transportation.

CAPITAL INCREASES AND EQUITY TRANSFERS

Capital increases and an equity transfer since our establishment till the end of 2014

The Jihe Expressway Company underwent several rounds of capital increases and an equity transfer since its establishment until the end of 2014.

The table below sets out the details of such capital increases and equity transfer:

<u>Month/Year</u>	<u>Event</u>
August 2007	Shandong Highway Bureau made a capital contribution of RMB512.2 million in cash to the Jihe Expressway Company pursuant to which the registered capital of the Jihe Expressway Company increased to RMB712.2 million. Shandong Highway Bureau and Shandong Construction held approximately 83.15% and 16.85% equity interest, respectively, in the Jihe Expressway Company following such capital contribution.
September 2010 . . .	Shandong Highway Bureau made a capital contribution of RMB768.3 million in cash to the Jihe Expressway Company pursuant to which the registered capital of the Jihe Expressway Company increased to RMB1,480.5 million. Shandong Highway Bureau and Shandong Construction held 91.90% and 8.10% equity interest, respectively, in the Jihe Expressway Company following such capital contribution.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

<u>Month/Year</u>	<u>Event</u>
March 2011	<p>In accordance with the Letter in Reply Consenting to the Transfer of Equity Investment by the Highway Bureau of the Shandong Provincial Transport Department (Lu Cai Zi [2009] No. 27) (《關於同意山東省交通廳公路局轉讓股權投資的覆函》(魯財資[2009]27號)) issued by the Shandong Provincial Finance Department, the Shandong Provincial Finance Department approved the transfer of 40.00% equity interest in the Jihe Expressway Company by the Shandong Highway Bureau. The Shandong Highway Bureau and COSCO SHIPPING (Hong Kong) entered into an interest transfer agreement pursuant to which the Shandong Highway Bureau transferred 40.00% equity interest in the Jihe Expressway Company to COSCO SHIPPING (Hong Kong) at a consideration of RMB1,388.3 million, which was determined with reference to the value of 40.00% equity interest of the Jihe Expressway of RMB1,388.3 million as at 31 March 2010 as appraised by an independent valuer. The Shandong Property Rights Exchange Centre issued the Interest Transfer Certificate (Lu Chan Quan Jian Zi No. 444) (《產權交易憑證》(魯產權鑒字第444號)) for the above equity transfer confirming the legality of the transaction.</p>

Pursuant to the Approval of Conversion of Shandong Jihe Expressway Company Limited to a Sino-Foreign Joint Venture Company (Ji Shang Wu Wai Zi Zi [2011] No. 30) (《關於山東濟荷高速公路有限公司變更為中外合資企業的批覆》(濟商務外資字[2011]30號)) issued by the Jinan City Bureau of Commerce and the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (Shang Wai Zi Lu Fu Ji Zi [2011] No. 0202) (《中華人民共和國台灣港澳僑投資企業批准證書》(商外資魯府濟字[2011]0202號)) and upon completion of the registration procedures at the Jinan City AIC, the Jihe Expressway Company was converted into a sino-foreign joint venture limited liability company.

Upon completion of the said equity transfer on 24 March 2011, Shandong Highway Bureau, COSCO SHIPPING (Hong Kong) and Shandong Construction held 51.90%, 40.00% and 8.10% equity interest, respectively, in the Jihe Expressway Company.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

As advised by our PRC Legal Advisers, the corresponding internal and external approval procedures for the above capital increases and equity transfer have been legally performed and have been completed in compliance with the relevant laws, regulations and rules; and the changes have been duly registered with relevant administration authorities for industry and commerce pursuant to the applicable PRC laws, regulations and rules.

Equity transfer during the Track Record Period up to immediately before the Reorganisation

Establishment of Qilu Transportation

In order to further enhance the reformation of investment and financing systems and promote the market liberalisation of the transportation infrastructure to facilitate the continuous rapid development of transportation network in Shandong Province, pursuant to the Approval regarding Certain Matters in respect of the Establishment of Qilu Transportation Development Group Company Limited (Lu Zheng Zi [2015] No. 95) (《關於同意齊魯交通發展集團有限公司組建工作有關事宜的批覆》(魯政字[2015] 95號)) dated 14 May 2015 (the “**Approval Regarding Qilu Transportation Establishment**”), the Shandong Provincial Government decided to transfer its equity interest in certain highway projects (including the equity interest in the Jihe Expressway Company) and assets held by the Shandong Highway Bureau to Qilu Transportation. Pursuant to the Approval Regarding Qilu Transportation Establishment, Shandong SASAC and Shandong SSF, as the Promoters, established Qilu Transportation on 30 June 2015 to take over the said equity interests in the highway projects and assets.

From the time of its establishment till 14 May 2018, Shandong SASAC and Shandong SSF held 70.00% and 30.00% equity interest, respectively, in Qilu Transportation. Pursuant to the Notice on Adjustment of Equity Interest of State-owned Shareholders in Provincial State-owned Enterprises (Lu Zheng Zi [2018] No. 55) (《關於調整部分省屬企業國有股東持股比例的通知》(魯政字[2018] 55號)) (the “**Notice on Adjustment of Equity Interest**”) dated 16 March 2018, the Shandong Provincial Government decided 20.00% equity interest in Qilu Transportation held by Shandong SSF be transferred to Shandong Guohui at nil consideration. The said transfer was completed on 15 May 2018 upon completion of the registration of changes with the Shandong AIC. Following the above equity transfer, Qilu Transportation was held by Shandong SASAC, Shandong Guohui and Shandong SSF as to 70.00%, 20.00% and 10.00%, respectively. For details of Qilu Transportation, please refer to the sub-sections headed “The Reorganisation — Promoters” in this section of the prospectus and “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong)” in this prospectus.

Equity Transfer from Shandong Highway Bureau to Qilu Transportation

On 31 August 2015, the Shandong Provincial Finance Department issued the Letter of Consent of Asset Transfer (Lu Cai Zi [2015] No. 56) (《關於同意資產移交的函》(魯財資[2015]56號)) pursuant to which the Shandong Provincial Finance Department agreed to transfer, among other things, the equity interest in the Jihe Expressway Company held by Shandong Highway Bureau to Qilu Transportation. At the same date, the Shandong Highway Bureau entered into the Equity Interest Transfer Agreement for Operational Toll Road Project (《經營性公路項目股權移交協議》) with Qilu Transportation, pursuant to which Shandong Highway Bureau agreed to transfer all of its 51.90% equity interest in Jihe Expressway Company to Qilu Transportation at nil consideration. The said transaction was approved by the Jinan City Bureau of Commerce (濟南市商務局) pursuant to the Approval in relation to Equity Transfer of Shandong Jihe Expressway Company Limited (Ji Shang Wu Shen Pi Zi [2015] No. 144) (《關於山東濟荷高速公路有限公司股權轉讓的批覆》(濟商務審批字[2015]144號)) issued by the Jinan City Bureau of Commerce on 21 December 2015. The Shandong Provincial Government re-issued the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (Shang Wai Zi Lu Fu Ji Zi [2011] No. 0202) (《中華人民共和國台港澳僑投資企業批准證書》(商外資魯府濟字[2011]0202號)) to the Jihe Expressway Company at the same date. The said equity transfer was completed on 28 December 2015.

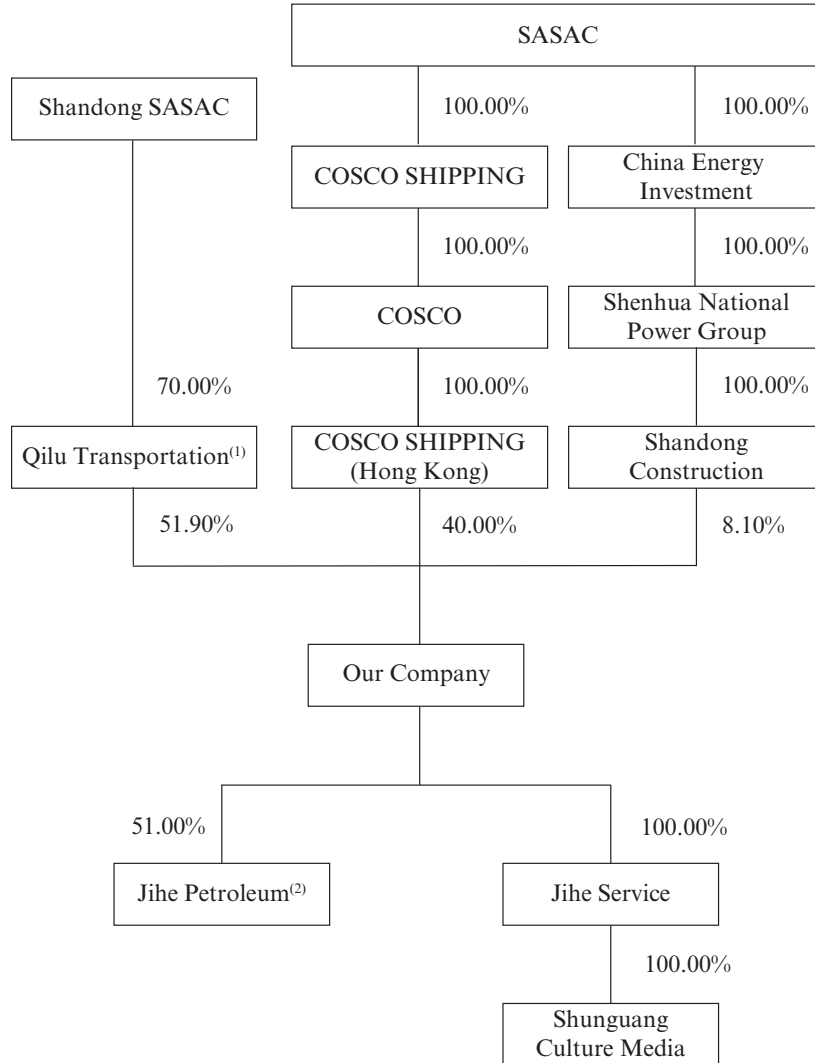
Following the above equity transfer and immediately before the Reorganisation, the registered capital of the Jihe Expressway Company was RMB1,480.5 million, and its equity interest was held by Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction, respectively, as to 51.90%, 40.00% and 8.10%, respectively.

As advised by our PRC Legal Advisers, the corresponding internal and external approval procedures for the above equity transfer have been legally performed; the above equity transfer has been completed in compliance with the relevant laws, regulations and rules; and the changes have been duly registered with the relevant administration authorities for industry and commerce pursuant to the applicable PRC laws, regulations and rules.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

THE REORGANISATION

The following chart sets out our corporate structure immediately before the Reorganisation:



Notes:

- (1) The remaining 30.00% equity interest in Qilu Transportation was held by Shandong SSF.
- (2) The remaining 49.00% equity interest in Jihe Petroleum was held by Sinopec Marketing, an Independent Third Party.

For the purpose of Listing, we underwent the Reorganisation, the details of which are described below.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Promoters

The table below sets out a summary of the Promoters:

Name of our Promoters	Number of Shares held in our Company as at the Latest Practicable Date	Shareholding Percentage in our Company as at the Latest Practicable Date	<u>Background Information of the Promoters</u>
Qilu Transportation	778,500,000	51.90%	Qilu Transportation is a limited liability company incorporated in the PRC on 30 June 2015 with a registered capital of RMB22,690,583,800.00. It is established as a provincial-level investment and operation corporation of State-owned capital and mainly engages in the operation and management of the expressway projects under its administration and the relevant ancillary facilities of such expressways as well as the investment and financing, surveying, design, maintenance, planning, analysis and research of transportation infrastructure projects. For details of the establishment of Qilu Transportation, please refer to the sub-section headed “Capital Increases and Equity Transfers — Equity Transfer during the Track Record Period up to immediately before the Reorganisation — Establishment of Qilu Transportation” in this section of the prospectus. Other than the interests in our Company, Qilu Transportation also holds assets of and interests in other highways. For details, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Principal Business of Qilu Transportation” in this prospectus.
COSCO SHIPPING (Hong Kong)	600,000,000	40.00%	COSCO SHIPPING (Hong Kong) is a private limited liability company established on 3 September 1992 in Hong Kong, with an issued share capital of HK\$3,428,694,126.00. It mainly engages in the provision of shipping and cargo services, property investment and management, and investment in expressway, industrial and information technology. Other than the interests in our Company, COSCO SHIPPING (Hong Kong) also holds interests in other highways that do not compete with the Jihe Expressway. For details, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Interests of COSCO SHIPPING (Hong Kong) in Highways” in this prospectus.
Shandong Construction	121,500,000	8.10%	Shandong Construction is a limited liability company incorporated in the PRC on 23 June 2003 with a registered capital of RMB60,000,000.00. It mainly engages in the technology development of and provision of consultation services for infrastructure projects.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Conversion into a joint stock company

On 17 October 2016, the Promoters entered into the promoters' agreement pursuant to which each of them agreed to convert the Jihe Expressway Company into a joint stock company with limited liability with a registered share capital of RMB1,500,000,000 divided into 1,500,000,000 Shares of a par value of RMB1.00 each, which was determined with reference to the net asset value of the Jihe Expressway Company of RMB1,861,316,100 as at 31 March 2016, as appraised by an independent valuer and verified by an independent accountant with the remaining sum of RMB361,316,100.0 being recognised as capital reserve.

Pursuant to the Approval of Issues in relation to the Transformation of Shandong Jihe Expressway Company Limited into Qilu Expressway Company Limited (in Preparation) (Lu Guo Zi Shou Yi Zi [2016] No. 64) (《關於山東濟滄高速公路有限公司整體變更設立齊魯高速公路股份有限公司(籌)有關問題的批覆》(魯國資收益字[2016]64號)) issued by Shandong SASAC on 18 October 2016 and upon registration with the Jinan City AIC on 6 December 2016, the Jihe Expressway Company was converted into a joint stock company with limited liability with the company name Qilu Expressway Company Limited. Immediately after the said conversion, our Company had a total of 1,500,000,000 issued Shares with a nominal value of RMB1.00 each, and the Promoters and their respective equity interest in our Company remained unchanged since the date of the said conversion and up to the Latest Practicable Date.

Our subsidiaries prior to the Subsidiary and Asset Restructuring

Prior to the Subsidiary and Asset Restructuring, our Company had three subsidiaries, namely Jihe Petroleum, Jihe Service and Shunguang Culture Media, details of which were as follow.

Jihe Petroleum

Jihe Petroleum was established on 25 December 2007 as a limited liability company with a registered capital of RMB20.0 million, which was further increased to RMB24.8 million on 12 March 2012. From the time of its establishment up to the Subsidiary and Asset Restructuring, our Company and Sinopec Marketing held 51.00% and 49.00% equity interest, respectively, in Jihe Petroleum. Jihe Petroleum is principally engaged in the operation of petroleum and gas refill stations along the Jihe Expressway and the sales of petroleum and gas-related products (the “**Petrochemical Refill and Product Sales**”).

Jihe Service

Jihe Service was established on 6 February 2005 as a limited liability company with a registered capital of RMB4.5 million. As at the time of its establishment, our Company held approximately 65.33% equity interest in Jihe Service with the remaining equity interest of approximately 34.67% held by five natural persons who are Independent Third Parties. On 19 August 2005, the registered capital of Jihe Service was increased to RMB6.0 million. Subsequently, Jihe Service underwent several rounds of equity transfers among the above shareholders and in January 2006, Jihe Service became a direct wholly-owned subsidiary of

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

our Company. The shareholding structure and registered share capital of Jihe Service remained unchanged since then and up to immediately before the Subsidiary and Asset Restructuring.

Jihe Service is principally engaged in the operation of the Service Facilities in the Service Areas and Parking Areas for the provision of services including vehicle parking, vehicle repair, catering services and supermarket operations (the “**Service Area Operations**”).

Shunguang Culture Media

Shunguang Culture Media was established on 15 January 2015 as a limited liability company with a registered capital of RMB3.0 million. Shunguang Culture Media was a wholly-owned subsidiary of Jihe Service since its establishment and up to the Subsidiary and Asset Restructuring, and is principally engaged in the Advertisement Business along the Jihe Expressway.

Subsidiary and Asset Restructuring

In order to streamline our corporate structure for the purpose of Listing and to enable us to focus on the core business along the main line of Jihe Expressway (i.e. the Expressway Business and the Advertisement Business, details of which are set out in the sub-section headed “Business — Our Business Model” in this prospectus), pursuant to the Approval of Reorganisation of Assets of Shandong Jihe Expressway Company Limited Including Ancillary Facilities (Lu Jiao Cai [2016] No. 80) (《關於山東濟荷高速公路有限公司附屬設施等資產重組的批覆》(魯交財[2016]80號)), the Shandong Transport Department consented to, among other things, (i) our Company transferring the entire equity interest in Jihe Service held by our Company and all of our Company’s 51.00% equity interest in Jihe Petroleum to a subsidiary of Qilu Transportation; (ii) Jihe Service transferring the entire equity interest in Shunguang Culture Media held by it to our Company; and (iii) our Company transferring the ancillary facility assets along the Jihe Expressway to Qilu Transportation. The Shandong Transport Department further consented that, upon completion of the Subsidiary and Asset Restructuring, the Service Facilities shall be operated by Jihe Service whereas the Advertisement Business shall be operated by Shunguang Culture Media.

Details of the Subsidiary and Asset Restructuring are as follows.

Transfer of the entire equity interest in Jihe Service to Qilu Service Development

On 18 April 2017, our Company entered into the Jihe Service Equity Transfer Agreement with Qilu Service Development, pursuant to which our Company agreed to transfer, and Qilu Service Development agreed to acquire the entire equity interest in Jihe Service held by our Company at a consideration of RMB7,575,200.0, which was determined with reference to the net asset value of Jihe Service of RMB7,575,200.0 as at 31 December 2016 as appraised by an independent valuer. The said transfer was completed on 24 April 2017 upon completion of the registration of changes with the Shandong AIC, Jihe Service became a subsidiary of Qilu Service Development since then.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Transfer of all of our Company's 51.00% equity interest in Jihe Petroleum to Qilu Service Development

On 19 April 2017, our Company entered into the Jihe Petroleum Equity Transfer Agreement with Qilu Service Development, pursuant to which our Company agreed to transfer, and Qilu Service Development agreed to acquire all of our Company's 51.00% equity interest in Jihe Petroleum at a consideration of RMB35,011,500.0, which was determined with reference to the net asset value of Jihe Petroleum of RMB35,011,500.0 as at 31 December 2016 as appraised by an independent valuer. The said transfer was completed on 24 April 2017 upon completion of the registration of changes with the Shandong AIC. Jihe Petroleum became a subsidiary of Qilu Service Development since then.

Transfer of the entire equity interest in Shunguang Culture Media to our Company

On 18 April 2017, Jihe Service entered into the Shunguang Culture Media Equity Transfer Agreement with our Company pursuant to which Jihe Service agreed to transfer the entire equity interest in Shunguang Culture Media held by it to our Company at a consideration of RMB8,008,900.0 which was determined with reference to the net asset value of Shunguang Culture Media of RMB8,008,900.0 as at 31 December 2016 as appraised by an independent valuer. The said transfer was completed on 26 April 2017 upon completion of the registration of changes with the Market Supervision Bureau of the Jinan High-tech Industrial Development Zone Management Committee (濟南高新技術產業開發區管委會市場監管局). Shunguang Culture Media became a direct wholly-owned subsidiary of our Company since then.

Transfer of the ancillary facility assets along the Jihe Expressway to Qilu Transportation

On 19 April 2017, Qilu Transportation entered into the Ancillary Facility Assets Transfer Agreement with our Company regarding the transfer of the ancillary facility assets along the Jihe Expressway, being the Management Facilities and the Service Facilities of the Jihe Expressway, pursuant to which our Company agreed to transfer the ancillary facility assets along the Jihe Expressway held by it to Qilu Transportation at a consideration of RMB223,733,400, which was determined with reference to the net asset value of the disposed assets of RMB223,733,400 as at 31 December 2016 as appraised by an independent valuer. The said transfer was completed on 22 December 2017 upon full payment of the consideration in cash by Qilu Transportation to our Company.

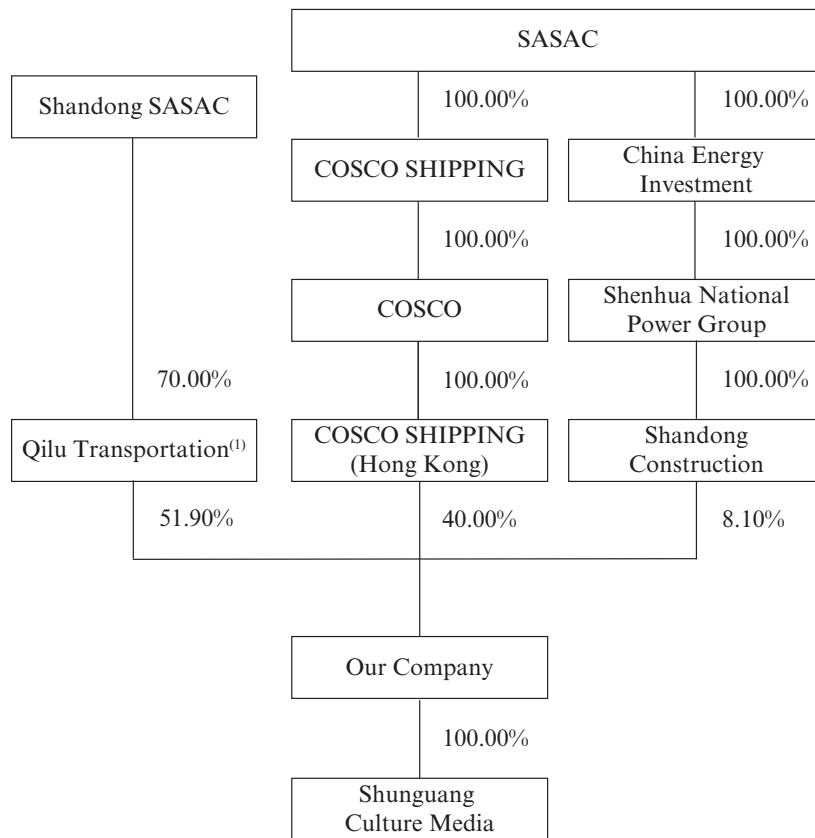
As advised by our PRC Legal Advisers, the Reorganisation set out above has been duly completed in compliance with the PRC laws, and necessary approvals for the Reorganisation have been obtained from the PRC competent authorities.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

As a result of the Subsidiary and Asset Restructuring, the businesses of the Petrochemical Refill and Product Sales and the Service Area Operations were regarded as Discontinued Operations under the HKFRS. For further details of our Discontinued Operations, please refer to the sub-section headed “Financial Information — Description of Principal Items in the Consolidated Statements of Comprehensive Income — Discontinued Operations” in this prospectus and notes 2.3 and 21 to the Accountant’s Report as set out in Appendix I to this prospectus.

CORPORATE STRUCTURE

The following chart sets out our corporate structure following the completion of the Reorganisation immediately:

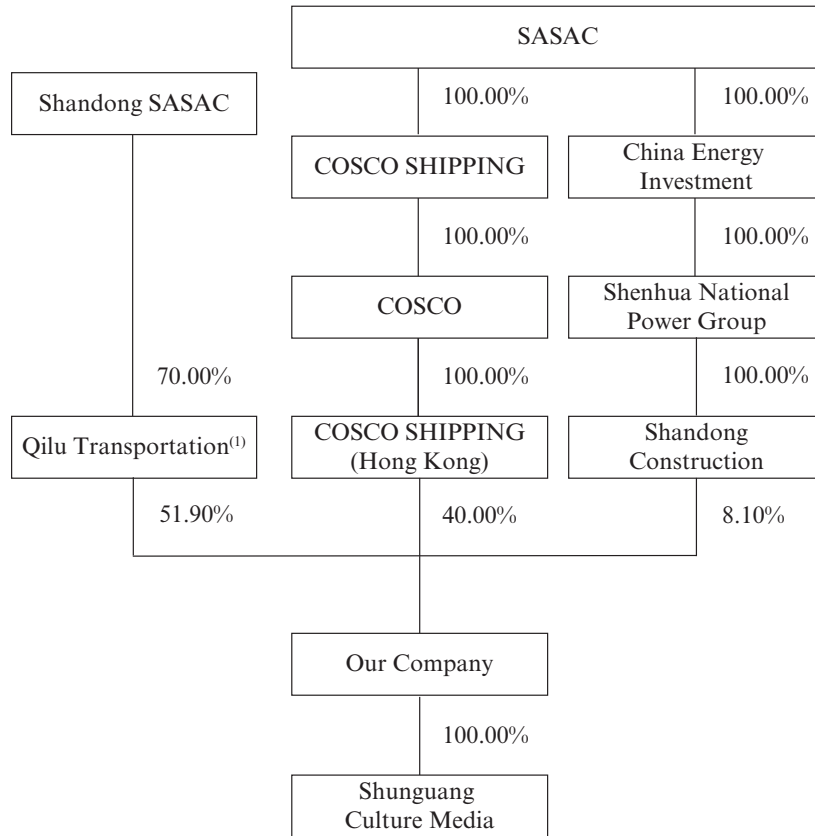


Note:

⁽¹⁾ The remaining 30.00% equity interest in Qilu Transportation was held by Shandong SSF.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following chart sets out our corporate structure following the completion of transfer of 20.00% equity interest in Qilu Transportation held by Shandong SSF to Shandong Guohui up to immediately prior to the Global Offering:

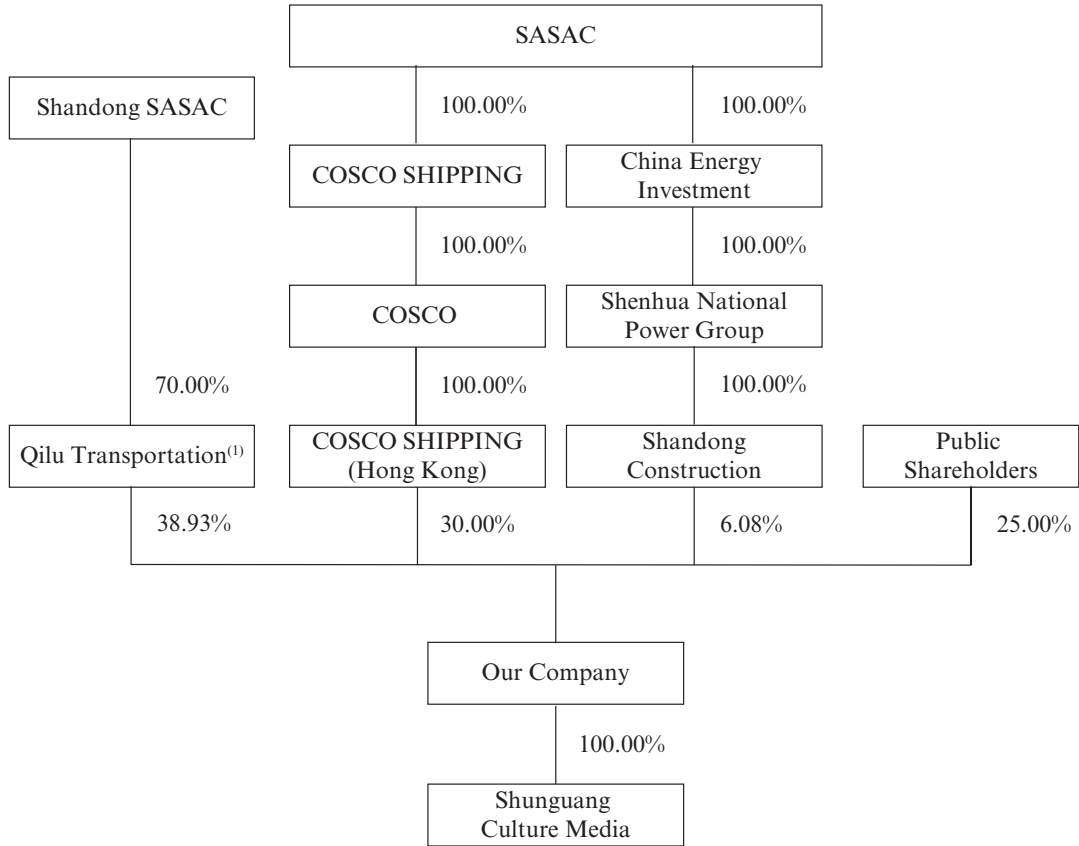


Note:

⁽¹⁾ The remaining 20.00% and 10.00% equity interest in Qilu Transportation were held by Shandong Guohui and Shandong SSF, respectively.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following chart sets out our corporate structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Note:

⁽¹⁾ The remaining 20.00% and 10.00% equity interest in Qilu Transportation were held by Shandong Guohui and Shandong SSF, respectively.

OVERVIEW

We are an expressway operator, with the exclusive Concession Rights to construct, maintain, operate and manage the Jihe Expressway during the Concession Period. The Jihe Expressway is a key section of the G35 National Expressway, which is a national expressway that connects China's Bohai Economic Rim⁽¹⁾, the Yangtze River Delta Economic Zone⁽²⁾ and the Pearl River Delta Economic Zone⁽³⁾, three of China's most well-developed economic zones. These three major economic zones are geographically superior, economically significant, and are China's political, economic and cultural centres.

The Jihe Expressway is part of the Shandong 9-5-1-7 Expressway Network and extends from Jinan to Heze connecting nine districts/counties under four cities in Shandong Province. In recent years, Shandong Province's economy has been growing at a steady pace, with many economic indicators leading nationally. Further, there has been growing support for the expressway industry from the PRC and the Shandong Provincial Government. Benefiting from the favorable policies, the economic growth and the regional advantage, since Jihe Expressway's operation in 2007, our company has demonstrated strong growth ability and sustainability in development.

For the three years ended 31 December 2017, revenue from our Continuing Operations was approximately RMB861.9 million, RMB999.8 million and RMB1,045.1 million, respectively, representing an increase of approximately 16.0% and 4.5%. For the three years ended 31 December 2017, profit for the year from our Continuing Operations was approximately RMB252.3 million, RMB441.8 million and RMB498.9 million, respectively, representing an increase of approximately 75.1% and 12.9%.

For the three years ended 31 December 2017, revenue from our Expressway Business was approximately RMB861.5 million, RMB997.2 million and RMB1,041.6 million, respectively. For the three years ended 31 December 2017, gross profit margin of our Continuing Operations was approximately 55.6%, 70.2% and 72.0%, respectively. For the three years ended 31 December 2017, the traffic flow of the Jihe Expressway were approximately 13.3 million vehicles, 17.0 million vehicles and 19.6 million vehicles, respectively. For details of our financial performance during the Track Record Period, please refer to the section headed "Financial Information" in this prospectus.

In order to maintain safe and smooth traffic on the Jihe Expressway and meet our commitment of "safety, smooth traffic and revenue growth (保安全、保暢通、保增收)", we have established and have been improving three systems on the Jihe Expressway, including an information management system for traffic monitoring, communication and toll collection; a road maintenance system (道路通行保障系統) for maintenance and repair,

Notes:

- (1) Bohai Economic Rim: Tianjin, Beijing, Shandong, Shanxi, Hebei, Liaoning, Inner Mongolia Autonomous Region
- (2) Yangtze River Delta Economic Zone: Shanghai, Jiangsu, Zhejiang, Anhui
- (3) Pearl River Delta Economic Zone: Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing

road administration and electricity supply; and an emergency system (應急保障系統) for incident prevention and control drills (協同事前應急防控演練), intelligent incident information processing (事中智能化信息梳理) and post-incident rapid response.

OUR COMPETITIVE STRENGTHS AND STRATEGIES

Our Competitive Strengths

We are an expressway operator based in Shandong Province and covering the eastern China with steady growth, value creation capabilities and prudent operation. We believe the following competitive strengths will enable us to maintain our position in the industry.

1. We benefit from the comprehensive strength of eastern China and Shandong Province's steady growth in economy and transportation network

We are located in the Bohai Economic Rim and have benefited from the opportunities arose from the economic development of such areas

G35 National Expressway connects to China's Bohai Economic Rim, the Yangtze River Delta Economic Zone and the Pearl River Delta Economic Zone, and connects with important provinces and cities in China including Shandong Province, Henan Province, Anhui Province, Jiangxi Province and Guangdong Province. Shandong Province is one of the economic centres of the Bohai Economic zone, and is one of the strongest economic bases among Chinese provinces. In 2017, the GDP of the Bohai Economic Rim⁽¹⁾, the Yangtze River Delta Economic Zone⁽²⁾ and the Pearl River Delta Economic Zone⁽³⁾ account for approximately 57.6% of China's total GDP.

Shandong Province recorded a GDP of approximately RMB7.3 trillion in 2017. In 2017, the production of secondary and tertiary industries of Shandong Province were approximately RMB3.3 trillion and RMB3.5 trillion, or increased by approximately 8.3% and 10.1%, as compared with the previous year, respectively. In 2017, the industrial production of Shandong Province increased by a growth rate of approximately 6.9%, which is higher than the PRC's national average for more than 16 consecutive years.

In addition, the urbanisation rate of Shandong Province has been higher than the national average, at approximately 60.6% in 2017. With the increase in economic growth and urbanisation rate, we believe that the traffic demand of Shandong Province will further increase.

Notes:

⁽¹⁾ Bohai Economic Rim: Tianjin, Beijing, Shandong, Shanxi, Hebei, Liaoning, Inner Mongolia Autonomous Region

⁽²⁾ Yangtze River Delta Economic Zone: Shanghai, Jiangsu, Zhejiang, Anhui

⁽³⁾ Pearl River Delta Economic Zone: Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing

BUSINESS

Shandong Province has prominent geographical advantage, connecting to Hebei, Henan, Anhui and Jiangsu provinces through a well-developed transportation network

Shandong Province has one of the most comprehensive transportation networks in the PRC, forming a convenient, well-connected and nationwide system with the provincial capital Jinan as the centre and expressways as the dominant pathway. In 2017, the total length of the expressways of Shandong Province was 5,821 km, accounting for approximately 4.3% of the national total. Shandong Province has a leading position in terms of various transportation indicators:

- turnover of cargo transportation on highways was approximately 665,020 million tons-km, accounting for approximately 10.0% of the national total;
- volume of cargo transportation on highways was approximately 2,880.0 million tons, accounting for approximately 7.8% of the national total;
- turnover of passengers on highways was approximately 48,100 million persons-km, accounting for approximately 4.9% of the national total; and
- number of passengers on highways was approximately 490.0 million persons, accounting for approximately 3.4% of the national total.

The number of vehicles in Shandong Province continues to increase as a result of its population size and steady growth in the economy, the automobile ownership of Shandong Province has ranked first among other provinces and cities in the PRC for many consecutive years

In 2017, the total population of Shandong Province was approximately 100.1 million, accounting for approximately 7.2% of the total population of the PRC, ranking as one of the top three most populated provinces in the PRC for close to 30 consecutive years. The automobile ownership of Shandong Province has ranked first among other provinces and cities in the PRC for many years. The civil automobile ownership in Shandong Province increased rapidly from 10.3 million in 2012 to 19.5 million in 2017 at a CAGR of approximately 13.6%. In recent years, Shandong Province has actively developed its logistics industry through accelerating transformation and upgrade. The total value of commercial goods transported in Shandong Province has increased from approximately RMB15.0 trillion in 2012 to approximately RMB25.0 trillion in 2017 at a CAGR of approximately 10.8%, considerably higher than the CAGR of the total value of commercial goods transported in the PRC of approximately 7.4% for the same period. In 2017, the total value of commercial goods transported in Shandong Province accounted for approximately 9.9% of that of the PRC. With the transformation of the industry and increasing demand for transportation of consumer products, the total value of commercial goods transportation is expected to continuously improve.

Benefiting from the policy support from the PRC Government and the Shandong Provincial Government as well as the rapid development of the expressway industry

Development of expressway is one of the most important agendas under the Thirteenth Five-year Plan. In accordance with the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2014–2030), Shandong Province plans to extend its expressway mileage to over 8,300 km by 2030 and to connect all counties within the province (縣縣互聯) through the Shandong 9–5–1–7 Expressway Network.

The total investment of expressways under construction in Shandong Province in 2016 was RMB192.1 billion, establishing its status as one of the provinces in the PRC with the highest investment in expressways under construction

Shandong Province has a leading position in the PRC in terms of expressway quality. According to the reports of the MOT in relation to the inspection of national road and expressway maintenance and management under The Eleventh Five-year Plan and The Twelfth Five-year Plan, Shandong Province ranked top three among Provinces and autonomous regions in terms of the overall mark. Shandong Province was honoured as the “Outstanding Unit of the Inspection of Road and Expressway Maintenance and Management of The Twelfth Five-year Plan” (「十二五」幹線公路養護管理優秀單位) for its remarkable performance in the inspection of maintenance and management.

According to Frost & Sullivan, the CAGR of total length of expressways in Shandong Province is expected to be 8.6% from 2018 to 2022, which is higher than the national growth rate. We believe that Shandong Province, as a major province of transportation, will have higher demand for expressways as a result of government support and economic growth, leading to continuous growth in our traffic flow.

2. We have geographical advantage as we connect to regions with strong industrial foundation, profound culture and renowned tourist attractions in Shandong Province

The Jihe Expressway, being part of the G35 National Expressway, connects to areas with rapid economic development, extending from Jinan to the Yangtze River Delta and the Pearl River Delta regions

The Jihe Expressway is the northern section of the G35 National Expressway, and is part of the Fifth Connecting Line and the Eighth Vertical Line under the Shandong 9–5–1–7 Expressway Network. Our Jihe Expressway passes through four cities and nine districts/counties including Jinan, Tai’an, Jining and Heze, and connects to the G3 Beijing-Taipei Expressway (G3京台高速公路), the southern section of G2001 Jinan City Ring Expressway (G2001濟南市繞城高速公路), the G1511 Rilun Expressway (G1511日蘭高速公路) and the S33 Jinan — Xuzhou Expressway (S33濟徐高速公路).

The GDP of Jinan, Tai’an, Jining and Heze along the Jihe Expressway grew at a CAGR of 8.5%, 8.2%, 7.6% and 10.4% between 2011 to 2017, respectively, reflecting their solid economic development. In particular, Jinan is an important transportation hub connecting eastern China, northern China and central and western China. With its excellent geographical location and well-developed transportation system, Jinan serves as the centre

of the road network and a hub of all expressways in Shandong Province. Further, Heze has experienced rapid economic development in recent years. In 2017, as compared with the previous year, urban and rural household disposable income per capita increased by 8.2% and 7.9%, respectively, and production of above-scale industrial producers increased by 10.0%. We believe, as the urbanisation and economic development of regions along the Jihe Expressway further increases, the traffic flow of the Jihe Expressway is expected to further improve.

The Jihe Expressway connects to industrial zones including Liangshan and Pingyin. Liangshan county is the manufacturing base of trailers, printing and new construction materials, while Pingyin county is specialised in the production of cement, carbon and machinery and equipment. The industrial bases along the Jihe Expressway have brought substantial higher toll truck volume to our expressway. For the three years ended 31 December 2017, trucks accounted for approximately 31.5%, 35.2% and 37.8% of the traffic flow of the Jihe Expressway. Class 5 trucks accounted for approximately 18.8%, 22.5% and 24.7% of the traffic flow of the Jihe Expressway, and approximately 59.7%, 63.9% and 65.4% of the total truck in the traffic flow of the Jihe Expressway.

Jihe Expressway connects to various tourist attractions in Shandong Province. The continuous increase in travellers is expected to bring more passengers using the expressway

The domestic tourism industry in the PRC and Shandong Province continues to boom. In 2016, the total number of domestic visitors to Shandong Province was 707.2 million, representing an increase of 8.7% as compared to the previous year. Within, approximately 63.3% of whom were Shandong domestic visitors. The number of visitors visiting each of Jinan, Tai'an and Jining is more than 60 million per year, ranking the second, fourth and sixth in Shandong Province, respectively. It is expected that we will continue to benefit from the development of tourism within Shandong Province through increase in traffic flow.

The renowned tourist attractions to which the Jihe Expressway connects include:

- Jinan: Jinan is well-known as the “City of Spring (泉城)”. There are many springs in the city, including the 72 famous springs (名泉七十二). Daming Lake and Baotu Spring in Jinan are recognised as national class 5A tourist attractions. In 2016, total number of domestic visitors in Jinan was 65.8 million, representing a year-on-year growth of 8.6%;
- Tai'an: Mount Tai (泰山) in Tai'an is regarded as the foremost of the Five Great Mountains of China (中國五嶽), and is shortlisted to the World Heritage List of the United Nations Educational, Scientific and Cultural Organisation for its extraordinary natural landscape and important cultural status. In 2016, the total number of domestic visitors in Tai'an was 62.4 million, representing a year-on-year growth of 8.5%;

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- Jining: Jining has abundant cultural tourism resources. It is well-known as the hometown of Confucius and Mencius. The Temple, Kong Family Mansion and Cemetery of Confucius in Qufu as well as the Beijing-Hangzhou Grand Canal (Shandong section) are shortlisted as World Heritage Sites. As the root of Confucius, Jining attracts plenty of visitors every year. In 2016, the total number of domestic visitors in Jining was 61.0 million, representing a year-on-year growth of 8.5%; and
- Heze: Heze is the “Town of Peony (牡丹之鄉)” of the PRC. Caozhou Peony Garden, a national class 4A attraction, and the largest garden of peony and paeonia lactiflora in the world that houses the most peony species. In 2016, the total number of domestic visitors in Heze was 17.4 million, representing a year-on-year growth of 10.0%.

3. Proven track record of steady growth and effective cost management

The Jihe Expressway was opened to traffic in 2007 and started to make profit in 2010, demonstrating the growth and the developmental capability of our Company

- Revenue from our Expressway Business increased from approximately RMB861.5 million for the year ended 31 December 2015 to approximately RMB997.2 million for the year ended 31 December 2016, representing a year-on-year increase of approximately 15.8%; revenue from our Expressway Business further increased to approximately RMB1,041.6 million for the year ended 31 December 2017, representing a year-on-year increase of approximately 4.5%.
- Profit for the year from our Continuing Operations increased from approximately RMB252.3 million for the year ended 31 December 2015 to approximately RMB441.8 million for the year ended 31 December 2016, representing a year-on-year growth of approximately 75.1%; profit for the year from our Continuing Operations further increased to approximately RMB498.9 million for the year ended 31 December 2017, representing a year-on-year growth of approximately 12.9%.
- Our income per kilometer increased from approximately RMB5.6 million⁽¹⁾ for the year ended 31 December 2015 to approximately RMB6.5 million⁽¹⁾ for the year ended 31 December 2016; our income per kilometer further increased to approximately RMB6.8 million⁽¹⁾ for the year ended 31 December 2017; and
- Per headcount productivity of our Expressway Business increased from approximately RMB2.1 million⁽²⁾ for the year ended 31 December 2015 to approximately RMB2.4 million⁽²⁾ for the year ended 31 December 2016, representing a year-on-year growth of approximately 14.3%; per headcount productivity of our Expressway Business further increased to approximately RMB2.6 million⁽²⁾ for the year ended 31 December 2017, representing a year-on-year growth of approximately 8.3%.

Notes:

⁽¹⁾ Calculated by dividing the revenue from our Expressway Business by the total mileage of the expressway.

⁽²⁾ Calculated by dividing the revenue from our Expressway Business by the total number of staff of the year.

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Our Group has stable operation with effective cost control, providing support to the future development of our Group

- Leveraging on our stable operation, we have adopted a number of financial management measure to minimise the debt to asset ratio. Our gearing ratio decreased from approximately 0.78 times as at 31 December 2015 to approximately 0.33 times as at 31 December 2017, while our debt to equity ratio continuously decreased from approximately 0.75 times as at 31 December 2015 to approximately 0.17 times as at 31 December 2017.
- Our Company has significant advantage in cost management. We implement a flat organisation structure with detailed management measures, which allows our Group to maintain efficiencies in daily operation. We focus on the expressway industry in Shandong Province and have benefited from the proximity of management. With a prudent cost and budget control system, we carry out cost analysis in various aspects, including information management, safety, maintenance and daily operation for a comprehensive review of the operating costs in order to enhance the cost management of our Company. According to the Frost & Sullivan Report, the average gross profit margin amongst the expressway operation industry in the PRC was 50.0%, 57.5% and 59.0% respectively from 2015 to 2017. Our Group's gross profit margin was higher than the industry level throughout the Track Record Period. Our cost-to-income ratio decreased from approximately 40.6%⁽¹⁾ for the year ended 31 December 2015 to approximately 28.3%⁽¹⁾ for the year ended 31 December 2016. Our cost-to-income ratio further decreased to approximately 27.3%⁽¹⁾ for the year ended 31 December 2017.

For the three years ended 31 December 2017, our return on equity was approximately 13.1%, 19.9% and 21.4%, respectively. The return on assets was approximately 6.9%, 11.7% and 14.6%, respectively. Both the return on equity and return on assets show a significant year-on-year growth.

4. We increase traffic flow and toll collection efficiency through leveraging the full use of effective technologies

We offer effective technology in our daily operation. We use the ten gigabyte ethernet to transmit the real-time high resolution videos of the expressway to the Safety Operation Department at the headquarters. We have installed cameras at on average every 2 kilometers along the expressway. Through automatic transmission, we are able to monitor the operation of the expressway at all times. We enhance the experience of users by

Note:

⁽¹⁾ Calculated by dividing the cost of sales of the Continuing Operations (net of tax and surcharge) by the revenue of the Continuing Operations

announcing traffic conditions to drivers. Weight measuring devices are installed at all toll stations to prevent overweight vehicles. Overloaded vehicles will be charged of additional tolls so as to deter overweight vehicles and to prevent the lost of toll fee.

Preventive maintenance measures are taken to maintain the road conditions up to the technical requirements. Utilising our Group’s profound experience in the industry, the management team can set up effective maintenance measures to maintain and enhance the service cycle of the expressway. By making use of our advanced technologies, we are able to form comprehensive maintenance plans in advance and adopt preventive maintenance measures to maintain the optimal quality of road surface for a longer service cycle of the expressway. According to third-party regular inspections of the road surface of expressways completed in March 2016, January 2017 and December 2017, all of the road surface were given the grade of “excellent” or “good”, demonstrating the high maintenance capability of our Company.

Emergency plans to ensure safe and smooth traffic. We have emergency plans for accidents, bad weather, natural disasters and other incidents. We have staff on duty at all times to deal with emergency matters so as to ensure the smooth traffic of our expressway. Minor traffic accidents can be quickly handled through our cooperation with highway police. We coordinate with the highway police and road administration departments during bad weather to regulate the vehicles passing through Jihe Expressway in an orderly manner.

Modern facilities are installed to further improve the operating efficiency. During the Track Record Period, we increased the number of ETC lanes at the toll stations of Jihe Expressway. The efficiency and accuracy of toll collection of our Company are enhanced through the installation of self-service pass issuing machines. The use of effective technology measures allow our Group to ensure safe and smooth traffic and to improve the operating efficiency.

5. Experienced management team with strong execution ability and a team of high calibre employees

We believe the core value of “wholehearted cooperation for harmonious atmosphere (融心匯智，凝和共濟)”. Our management team has outstanding strategic visions and profound experience in the industry. Mr. Li Gang, our Chairman, has close to 30 years of experience in expressway-related field, and has witnessed the expressway development in the PRC firsthand. Mr. Li has held various positions in government traffic management departments and enterprises. Prior to joining our Group, he was the deputy director and member of the party committee of Jinan Highway Administration Bureau. He has in-depth understanding of government policies and extensive knowledge of the expressway industry. In 2006, Mr. Li was rewarded the May 1 Labour Medals of Jinan and received the second-class merit award from Shandong Provincial Workers’ General Union (山東省總工會) and the Shandong Provincial Transport Department in a competition regarding the construction of major transportation projects in Shandong. Our Directors, supervisors and senior management has extensive experience in highway construction, maintenance and management, financial management and general management and is the driving force for our sustainable development. With on average 5 years of service at our Company and on

average 12 years of experience in highway operation and management, our Directors, supervisors and senior management has made significant contribution to our growth. For details of the management team of our Company, please refer to “Directors, Supervisors, Senior Management and Employees” in this prospectus.

Further, we established the Strategy Committee to provide support for long-term development. Our Group’s Strategy Committee advises the Board on the long-term development strategies, financial plans, major funding and asset operations, budget and other major affairs. For details of the Strategy Committee of our Group, please refer to the sub-section headed “Directors, Supervisors, Senior Management and Employees — Board Committees — Strategy Committee” in this prospectus.

As at 31 December 2017, over 50% of our employees have bachelor’s degrees or above. Many of them have professional titles, including engineering technology application researcher, senior engineers, engineers and economists. The professional and diversified workforce has laid a solid foundation for the future development of our Company.

In addition, our management is widely recognised for their promotion of corporate culture. With the efforts of our management, we have been recognised as the “Top Ten Civilised Brand of Highway Systems in Shandong Province (山東省公路系統十大文化品牌)” and the “Women’s Exemplary Post (巾幗文明崗)”.

Business Strategies

We aim to become a leading integrated operator in the industry specializing in road investments, construction, operation and management.

1. We will pay close attention to high quality road-related assets to expand our business

We will pay close attention to the economic development of the PRC, in particular, Shandong Province. To further expand and maintain the growth momentum of our Company, we will expand and strengthen our existing businesses through equity or asset acquisition by capitalizing on our extensive knowledge gained from the successful experience in the operation of expressways in the PRC over the years. We will strategically acquire road-related projects or consolidate the road resources in Shandong Province in order to further expand our source of revenue and market share. We intend to acquire and operate, manage or invest in road-related projects in the PRC, particularly in Shandong Province, which are partly completed or in operation, or the operation platform. We believe that such approach can minimise the uncertainties of over-budget during the construction period or project delay.

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We believe that the following aspects will enable us to capitalise on our management's extensive knowledge within the industry to further expand and strengthen our existing business through investment and acquisitions:

- **Enhancement of operational efficiency through a flat management model:** our Group has designed and implemented a flat management model, which allows our Group to maintain efficiencies in its daily operation;
- **Proven track record of our Group's management team in effective cost management:** our Group has a track record of strict budget management and plans to continually improve its efforts in this respect;
- **Effective use of preventive maintenance measures:** utilising our Group's profound experience in the industry, the management team can set up effective maintenance measures to maintain and enhance the service cycle of the expressway;
- **Effective use of technologies:** our Group's current implementation of technologies in the Expressway Business (including real-time high resolution videos of the expressway, preventive maintenance measures and automated management) allows our Group to ensure safe and smooth traffic and to improve the operating efficiency; and
- **Provision of support and insight for long-term development by the Strategy Committee:** our Group's Strategy Committee provide advice to our Board on major affairs including the long-term development strategies, financial plans, major funding and asset operations and budget.

2. *We will further strengthen the application of information technology and improve the effectiveness of our technology*

We intend to expand the use and improve our technology capability in all aspects of our operation. We intend to increase investment in information management systems and integrate our office systems with our daily operations by making use of the modern technology in order to integrate the construction, maintenance and management information of expressways with our operation. We believe the upgraded system will bring the following benefits to our Company:

- to maintain a centralised database to analyse data in relation to maintenance works so as to effectively monitor road conditions for preparation of maintenance plans in advance. Data in relation to traffic monitoring, operation of machinery and electricity system and maintenance and repair records are maintained at the information management platform to allow sophisticated management of the use and maintenance of equipment;
- to share information with meteorology, geology and tourism departments so as to provide comprehensive traffic information and travel information to our customers;

- to pursue the “Internet +” strategy of China and to facilitate the change of Shandong into an “Internet+ Smart City”. We will upgrade our current technologies by developing the image identification technology for smart devices to facilitate “automatic payment (無感支付)” service through automatic identification of license plates and online payment. It can improve the operating efficiency of expressways, reduce labour costs, ease the problem of traffic congestions and enhance the driving experience of our customers.

We believe that driven by the ongoing advancement in our technologies, our efficiencies in expressway operations will be significantly improved and we will be in a better position to provide services for the surrounding areas.

3. We will continue to improve our operating efficiency and enhance our profitability

We plan to optimise our operation and management efficiencies, including development of automated management, to improve our operating efficiency and enhance our profitability so as to further increase the income per headcount and income per kilometer by taking the following measures:

- We will further apply the ETC technology to enhance the efficiency of toll stations. The whole-truck weight-measuring ETC project (貨車整車式稱重ETC項目) is undergoing trial operation in Shandong Province. We believe that as the technology becomes more mature, the whole-truck weight-measuring ETC project can be installed in our toll lanes for faster toll collection from trucks. In addition, we will take all necessary measures to prevent toll evasion. We intend to update the ETC toll collection system to detain overtime vehicles at ETC toll lanes for immediate investigation of toll evasion so as to further improve the operation efficiency.
- We have been improving the three systems of the Jihe Expressway, including an information management system for traffic monitoring, communication and toll collection, a road maintenance system (道路通行保障系統) for maintenance and repair, road administration and electricity supply, and an emergency system (應急保障系統) for incident prevention and control drills (協同事前應急防控演練), intelligent incident information processing and post-incident rapid response. We intend to further strengthen the preventive maintenance of road surfaces and bridges, and will apply new technologies, new techniques, new materials and new equipment so as to improve the quality of road surfaces with advanced technologies. Our objectives are to shorten the duration of road repairing works and maintain a safe, efficient and smooth driving environment.
- We intend to improve the annual financial budget and financing strategies to maintain the gearing ratio at optimal level. We will keep close track of and evaluate various financing tools in the domestic and overseas markets with a view to minimising our financial costs. We will also make use of financial instruments with low risks to reduce our financial risks. In addition, we will further improve our internal procedures to strengthen budget management for better allocation of financial resources.

4. We will establish a more complete human resources system to attract, motivate and nurture high quality talents in road operation and management

Considering the nature of expressway operations, our ability to attract and retain high caliber professionals will be critical to our success. We have adopted a “People-oriented” strategy that emphasises the importance of talent for our success. We will build a collaborative, efficient, responsible and professional team to enhance our “Qilu Expressway” brand image, and to improve a sense of pride and loyalty among our employees.

In order to attract, motivate and nurture high quality talents for road operation and management, our Company will further refine the responsibilities and duties, remuneration, performance assessment and training. Strong human resources for corporate development will be developed through attracting, motivating and nurturing staff with outstanding abilities and extensive experience. Particular measures include:

- to improve the performance assessment system and remuneration system to improve the initiativeness and loyalty of staff;
- to improve the training and promotion system by providing staff with professional training, transparent promotion path and diversified career development opportunities; and
- to further identify and recruit professional talents across the country to increase the quantity and quality of talents and to optimise the deployment of talents.

OUR BUSINESS MODEL

Our Group is granted with the exclusive Concession Rights to construct, maintain, operate and manage the Jihe Expressway under the Concession Agreement. After completion of the construction of the Jihe Expressway and its opening to traffic in September 2007, our business focuses on the daily operations and maintenance of the Jihe Expressway. During the Track Record Period until April 2017, we are also engaged in the Service Areas Operations and the Petrochemical Refill and Product Sales which became our Discontinued Operations upon completion of the Subsidiary and Asset Restructuring.

The following table sets out the business model of our Continuing Operations.

Expressway Business According to the Concession Agreement, we have the following rights and obligations in relation to the Jihe Expressway during the Concession Period:

Construction: According to the Concession Agreement, the first three years of the Concession Period was the project construction phase whereby our Company was responsible for the project design and construction works of the Jihe Expressway. Our Company commenced the construction works of the Jihe Expressway in December 2004, which was completed and open to traffic in September 2007.

Maintenance: We maintain our operational and cost efficiencies through carrying out comprehensive maintenance measures on a daily basis and implementing preventive measures to preserve the quality road conditions of the Jihe Expressway and increase the useful life of its road surface. For further details of our road maintenance measures, please refer to the sub-section headed “Expressway Operations — Road maintenance and upgrades” in this section of the prospectus.

Operations: Our major operations on the Jihe Expressway include toll collection and traffic management. We have systems in place to provide round-the-clock real-time and continuous monitoring of the traffic conditions and immediate response to emergencies. For further details of our operations, please refer to the paragraphs headed “Toll Collection” and “Traffic Management” in the sub-section headed “Expressway Operations” in this section of the prospectus.

Management: Our management team is actively involved in the daily operations of the Jihe Expressway. In order to ensure the safety of users and smooth traffic of the Jihe Expressway, we have established a flat management structure to increase our management efficiency and provide for prompt implementation of policies and measures. For further details of our management structure, please refer to the sub-section headed “Expressway Operations — Management and operational staff” in this section of the prospectus.

Advertisement Business A small proportion of our revenue during the Track Record Period was derived from our Advertisement Business which comprises the leasing of advertisement billboards along the Jihe Expressway and the provision of advertisement publication services on those billboards. For further details of our Advertisement Business, please refer to the sub-section headed “Advertisement Business” in this section of the prospectus.

THE JIHE EXPRESSWAY

The Road

The Jihe Expressway runs from Jinan City to Heze City passing through nine districts/counties under four cities in Shandong Province with a total length of approximately 153.6 km. As part of the G35 National Expressway, the Jihe Expressway is strategically located in Shandong Province to form an important section of the transportation network between the provincial capital and the southwestern part of Shandong Province, connecting to various national and provincial expressways to enhance its traffic accessibility.

Serving as a main route of the national and regional expressways: The Jihe Expressway is a key section of the G35 National Expressway, one of the eleven national expressways running north to south of the PRC under the National Expressway System and is an important traffic and economic corridor between Northern and Southern China. The Jihe Expressway also forms part of the Fifth Connecting Line under the Shandong 9-5-1-7 Expressway Network connecting Jinan City to Heze City and Shangqiu City at the Shandong-Henan boundary. Further, the Pingyin-Jiaxiang section of the Jihe Expressway forms part of the Eighth Vertical Line under the Shandong 9-5-1-7 Expressway Network connecting Dezhou City to Dong’e County and Shan County at the Shandong-Anhui boundary, connecting the southwestern part of Shandong Province with other major provinces in eastern China; and

Connecting to other national expressways and major roads: The Jihe Expressway is located at the northern section of the G35 National Expressway and connects to the G3 Beijing-Taipei Expressway and the southern section of the G2001 Jinan City Ring Expressway in the north, the G1511 Rilan Expressway in the south and the S33 Jixu Expressway in its central section through the Dongpinghu Stack Interchange.

BUSINESS

The following map shows the route of the Jihe Expressway:



Key Data

Route	from the west of Yinjialin Stack Interchange in Jinan City to Wangguantun Stack Interchange in Heze City
Total length	approximately 153.6 km
Classification	expressway
Number of lanes	two-way four lanes
Speed limit	120 km per hour
Toll system	closed system
Road surface	asphalt-paved road surface
Number of management centres/toll stations	seven (namely Changqing management centre, Xiaoli management centre, Pingyin management centre, Pingyin South management centre, Dongping management centre, Liangshan management centre and Jiaxiang management centre)
Number of stack interchanges along the expressway	two (namely Wangguantun Stack Interchange and Dongpinghu Stack Interchange)
Concession Period	30 years, expiring on 25 September 2034
Status	fully operational, collecting tolls

Strategic Connections in Shandong Province***Connecting to major towns and cities, populous areas and industrial areas***

The Jihe Expressway passes through nine districts/counties under four cities in Shandong Province. These cities, districts and counties comprise industrial and tourism cities as well as populous areas in Shandong Province which attract traffic flow from small passenger vehicles, coaches and trucks, thereby providing us higher toll income.

The Jihe Expressway passes through the industrial zones including Liangshan County and Pingyin County. Liangshan County is the manufacturing base of trailers, printing and new construction materials of China while Pingyin County is an industrial region in the southwestern part of Shandong Province. Pingyin Industrial Park is a provincial economic development zone focusing on, among other things, cement, carbon and machinery and equipment production. The total revenue of 193 major industrial enterprises in Pingyin County for 2016 was approximately RMB35,750 million, increased by approximately 8.7% from that of the previous year. The transportation of raw materials and products in and out of the industrial zones in Pingyin County generally relies on trucks, contributing to a relatively high transportation demand of the Jihe Expressway. The Jihe Expressway has two entrances and exits in Pingyin County to offer convenient connections and attract vehicles to use the Jihe Expressway.

Connecting to major infrastructure and tourist attractions

The Jihe Expressway connects to major infrastructure and tourist attractions in Shandong Province. The northern section of the Jihe Expressway connects to the Jinan West Railway Station and the Jinan Yaoqiang International Airport which further connect to other major cities in the PRC and the world by high speed railway and aircrafts. The Jihe Expressway also connects to renowned tourist destinations such as Daming Lake (大明湖), Baotu Spring (趵突泉), Mount Tai (東岳泰山), Qufu Confucian Temple (曲阜孔廟), Confucian Family Mansion (孔府) and Confucian Cemetery (孔林), the Beijing-Hangzhou Grand Canal (Shandong section) (京杭大運河(山東段)), Mount Liang (水泊梁山) and Caozhou Peony Garden (曹州牡丹園). With the ongoing urbanisation process as well as the increase in urban household disposable income per capita, people faces more emphasis towards their living standards which we believe will cause excursion within Shandong Province increasingly popular and thus boost the traffic flow of the Jihe Expressway.

Project Concession

With the feasibility study report of the project approved by the Shandong Provincial Government in 2003, the Jihe Expressway Company, the predecessor of our Company, was established in January 2004 as the project company responsible for the construction, maintenance, operation and management of the Jihe Expressway.

Our Concession Rights are based on the Build — Operate — Transfer model, details of which are set out as follow.

Build: In accordance with the Concession Agreement, our Company was responsible for the design and construction of the Jihe Expressway and its ancillary facilities (the “**Jihe Expressway Project**” or the “**Project Expressway**”).

Operate: Pursuant to the Concession Agreement, our Company is obliged to operate, maintain and repair the Project Expressway, in addition to the rights to conduct traffic management of and collect tolls from vehicles passing along the Project Expressway. For details, please refer to the paragraph headed “Concession Agreement — Toll Collection, Rates and Adjustment” and the sub-section headed “Expressway Operations” in this section of the prospectus.

Transfer: In accordance with the Concession Agreement, our Company is obliged to transfer, among other things, the Jihe Expressway to the Concession Authority (as defined below) upon the expiry of the Concession Period. For details, please refer to the sub-section headed “Concession Agreement — Transfer after the Concession Period” in this section of the prospectus.

Concession Agreement

Pursuant to the Concession Agreement, our Company's Concession Period is 30 years⁽¹⁾ from 26 September 2004 to 25 September 2034 (both days inclusive) including a project construction period of three years. Upon completion of construction in mid-2007, the Jihe Expressway was open to traffic on 28 September 2007. Pursuant to the Concession Agreement, we are granted the Concession Rights to (i) design and construct the Project Expressway, and (ii) maintain, operate and manage the Project Expressway (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). The Concession Rights are exclusive in nature. The Shandong Transport Department (as authorised by the Shandong Provincial Government to be a party to the Concession Agreement) (the "**Concession Authority**") shall not grant all or any of our Concession Rights to any other party during the Concession Period.

In addition to those set out above, the following table sets out other major terms of the Concession Agreement currently in force:

Toll collection, rates and adjustment	
----------------------------------------------	--

- Our Company shall have the rights to collect and retain tolls from users of the Project Expressway during the period of the operation, maintenance and management of the Project Expressway.

- Toll stations may be set up along connection paths of the Project Expressway. The expressway shall adopt a closed system for access control. Expressway passes will be issued at the entrances and tolls will be collected at the exits. Our Company shall use a standardised collection and settlement system approved by the Concession Authority for toll collection. Settlement of tolls between our Company and the Concession Authority shall be carried out and completed on a monthly basis.

Note:

⁽¹⁾ Pursuant to the Concession Agreement, if (i) any delay in the commencement or completion of the construction of the Jihe Expressway Project is caused by the Concession Authority; (ii) the toll rates approved or adjusted by the government from time to time are lower than that specified under the Concession Agreement (for details please refer to the paragraph headed "Toll collection, rates and adjustment" below); or (iii) the Concession Authority is in violation of the non-competition obligations specified in the Concession Agreement (for details please refer to the paragraph headed "Non-competition undertaking" below), our Company shall have the right to require a reasonable extension of the Concession Period to compensate for the losses suffered therefrom.

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- The Project Expressway shall adopt the same toll rates of other expressways with the same conditions in Shandong Province to be determined and published by the Concession Authority and the pricing department of the government⁽¹⁾.
 - Our Company can apply for adjustment of toll rates during the Concession Period for approval by the relevant government authorities.
- Non-competition undertaking**
- The Concession Authority has undertaken to our Company that no new high-class expressway of the same direction will be built (whether by the Concession Authority or through a third party) within an area of 50 km on both sides of the Project Expressway.
 - The Concession Authority shall be responsible for the coordination of roads and other infrastructures connecting to the Project Expressway to ensure an efficient and safe access to the Project Expressway.
- Transfer and creation of security interest in the form of guarantee**
- Our Company shall not transfer, deal in, charge, pledge or lease the Project Expressway or the whole or any part of the Concession Rights of the Project Expressway without any prior written consent of the Concession Authority.

Note:

⁽¹⁾ Consistent with the terms of the Concession Agreement, the same toll rates apply to all expressways (save grand bridges and tunnels) in Shandong Province (including the Jihe Expressway and the 47 expressways held, directly and indirectly, by Qilu Transportation as set out in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Interests of Qilu Transportation in Highways” in this prospectus) are governed by the Notice on Regulating Relevant Matters of Toll Rates jointly issued by the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department. For details, please refer to the sub-section headed “Business — Expressway Operations — Toll Rates” in this prospectus.

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- Our Company may create a security interest in the form of guarantee upon its rights and interests, including but not limited to any movable properties, real estate or intangible assets of the Jihe Expressway Project, or its revenues or any other rights or assets. However, our Company shall comply with the following rules when creating a security interest in the form of guarantee:
 - (i) the proceeds from the financing resulting from such the guarantee shall be used for the design, construction, completion, operation, maintenance and repair of the Project Expressway;
 - (ii) the term of the guarantee shall not exceed the remaining term of the Concession Period;
 - (iii) prior written consent shall be obtained from the Concession Authority; and
 - (iv) a bank shall be appointed to monitor the use of proceeds from the financing resulting from such the guarantee. The Concession Authority shall have the rights to be informed of the use of the proceeds by the bank at any time.

**Transfer after the Concession
Period**

- Upon the expiry of the Concession Period, our Company shall:
 - (i) transfer the Project Expressway to the Concession Authority (free from any charges or pledges or other legal liabilities);
 - (ii) deliver to the Concession Authority all documents, manuals and records necessary for the successful handover and continuous operation, maintenance and repair of the Project Expressway;
 - (iii) transfer all insurance policies in force to the Concession Authority;

- (iv) assign to, transfer to, grant license to or assist the Concession Authority to obtain in a manner acceptable to the Concession Authority, all technologies and intellectual properties relevant to the operation and maintenance of the Project Expressway; and
- (v) transfer to the Concession Authority all other rights and interests of our Company in relation to the relevant assets.
- Our Company shall take all necessary measures, actions or sign any necessary document to assist the Concession Authority to complete the handover of the Project Expressway and relevant assets mentioned above.
- Our Company shall guarantee that the Project Expressway is in good condition of operation and maintenance upon handover to allow the continuous operation of the Project Expressway in good condition for at least 12 months.
- Upon the expiry of the Concession Period, operational staff of our Company does not fall within the scope of the handover, but under the same term the Concession Authority shall give priority to employ our staff working at the Project Expressway on duties such as maintenance and toll collection.

**Project takeover and
compensation upon
Termination of the
Concession Agreement**

Regular termination

- The Concession Rights shall expire upon the expiry of the Concession Period or the period extended in accordance with the Concession Agreement.

Irregular termination

1. Unilateral termination by the Concession Authority

● In case of the following events:

- (i) our Company is declared bankrupt or in liquidation; or
- (ii) our Company fails to perform its main obligations⁽¹⁾ under the Concession Agreement and fails to carry out rectification within 60 days after the Concession Authority issues a written notice to specifically require our Company to carry out rectification,

the Concession Authority shall be entitled to terminate the Concession Agreement by issuing a written notice to our Company at any time.

Note:

⁽¹⁾ Pursuant to the Concession Agreement, the circumstances under which our Company violates the main obligations and the Concession Authority is entitled to unilaterally terminate the Concession Agreement are as follows:

- (i) the actual completion date exceeds the scheduled completion date by not less than 180 days and the delay is not due to reasons caused by the Concession Authority;
- (ii) the Jihe Expressway Project is below standards due to any reason and our Company fails to carry out rectification to meet the specifications and standards as stipulated in the Concession Agreement within reasonable time;
- (iii) our Company fails to operate, maintain and manage the Project Expressway as required by the Concession Agreement and fails to rectify its inappropriate actions or measures relating to its operation, maintenance and management of the Project Expressway as requested by the Concession Authority; the traffic condition of the Project Expressway is evaluated to be in second class or below in the maintenance evaluation requested and arranged by the Concession Authority in accordance with the requirements of the MOT and our Company fails to take any or any adequate action within 14 days after the Concession Authority issues such notice;
- (iv) any report, financial statement, account and other document submitted by our Company to the Concession Authority is found to be untrue, inaccurate or incomplete and the Concession Authority is unable to make correct judgement on the actual situation. Our Company has been found to have such misconduct for more than three times; or
- (v) our Company violates the terms regarding transfer and creation of security interest in the form of guarantee stipulated in the Concession Agreement (for details please refer to the paragraph headed "Transfer and creation of security interest in the form of guarantee" above) in effecting any transfer, creation of security interest in the form of guarantee or the use of proceeds therefrom, and our Company fails to carry out rectification or provide appropriate guarantee as required by the Concession Authority to minimise or compensate the loss suffered by the Concession Authority.

- Where the Concession Authority terminates the Concession Agreement unilaterally, it shall provide our Company with compensation in accordance with the following standards after taking over the Jihe Expressway Project: if our Company has not recovered the audited amount of reasonable investment, the compensation shall be 80% of the difference between the audited amount of reasonable investment of our Company and the depreciated or amortised value of the Project Expressway calculated by using average useful life method (the useful life of the Project Expressway for the purpose of calculation of depreciation or amortisation shall be the difference between the Concession Period and the construction period of the Project Expressway), or if our Company has already recovered the audited amount of reasonable investment, the Concession Authority will not be required to provide any compensation.
2. Unilateral termination by our Company
- In case of the following events:
 - (i) the whole or any part of the Project Expressway is converted into toll-free expressway by the government; or
 - (ii) the Concession Authority terminates Concession Period or revokes Concession Rights without valid reason,

our Company shall be entitled to terminate the Concession Agreement by issuing a written notice to the Concession Authority at any time.

- Where our Company terminates the Concession Agreement unilaterally, the Concession Authority shall provide our Company with compensation after taking over the Jihe Expressway Project. The compensation shall be 120% of the difference between the audited amount of reasonable investment of our Company and the depreciated or amortised value of the the Project Expressway calculated by using average useful life method (the useful life of the Project Expressway for the purpose of calculation of depreciation or amortisation shall be the difference between the Concession Period and the construction period of the Jihe Expressway Project).
3. Termination due to force majeure⁽¹⁾
- If either party to the Concession Agreement is not able to perform its obligation for more than 180 days due to any force majeure event, both parties to the Concession Agreement shall negotiate to determine whether the Concession Agreement shall remain valid or be terminated.
 - If both parties to the Concession Agreement fail to agree on whether the agreement shall remain valid or be terminated within 365 days after the occurrence of force majeure events, either party may issue a written notice to another party to terminate the Concession Agreement at any time during the existence of such force majeure events.

Note:

⁽¹⁾ According to the Concession Agreement, the following events shall be deemed to be force majeure events:

- (i) natural disasters, such as earthquakes, floods, rainstorm, volcanic eruptions and natural land subsidence;
- (ii) social anomalies, such as riots, strikes, wars (whether or not war is or has been declared), hostilities and armed conflicts; or
- (iii) change in laws.

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4. Project takeover and compensation under irregular termination
 - In case of irregular termination of the Concession Agreement, the Concession Authority shall be entitled to take over the project or nominate another entity to do so immediately. In such regard, our Company shall offer reasonable cooperation and shall not unreasonably obstruct the takeover of the project. Our Company shall transfer the interests, assets and documents in relation to the Jihe Expressway Project possessed by it prior to the termination of the Concession Agreement to the Concession Authority or its nominated entity pursuant to the Concession Agreement (for details please refer to the paragraph headed “Transfer after the Concession Period” above).
 - Within 14 days after the irregular termination of the Concession Agreement, both parties to the Concession Agreement shall jointly appoint a qualified and independent auditor to audit the amount invested in, and revenue gained from, the project by our Company prior to the termination of the Concession Agreement. Both parties to the Concession Agreement shall procure the auditor to produce an audit report within 28 days after the appointment.

EXPRESSWAY OPERATIONS

Toll Rates

The toll rates of the Jihe Expressway is 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)) (the “**Notice on Regulating Relevant Matters of Toll Rates**”) jointly issued by the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department on 27 December 2017 and effective from 1 January 2018. In accordance with the Notice on Regulating Relevant Matters of Toll Rates, the toll rates of the expressways in Shandong Province are in the form of a certain amount of toll chargeable per km travelled based on the vehicle classification of passenger cars and the weight of trucks. For toll roads installed with weighing equipment, tolls rates applicable to passenger vehicles are based on their

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vehicle classification while those applicable to trucks are based on their weight. For toll roads without weighing equipment, the toll rates applicable to passenger cars and trucks are both based on their vehicle classification. The following table sets out the toll rates of the expressways (save grand bridges and tunnels) in Shandong Province (including the Jihe Expressway) in accordance to the vehicle classification during the Track Record Period and up to the Latest Practicable Date.

<u>Vehicle classification</u>	<u>Vehicle type</u>		<u>Toll rates (RMB/ km)</u>
	<u>Passenger vehicle</u>	<u>Truck⁽¹⁾</u>	
Class 1 vehicle	≤7 seats	—	0.40
	—	≤2 tons	0.40
Class 2 vehicle	8–19 seats	—	0.50
	—	2–5 tons (including 5 tons)	0.72
Class 3 vehicle	20–39 seats	—	0.60
	—	5–10 tons (including 10 tons)	1.00
Class 4 vehicle	≥40 seats	—	0.75
	—	10–15 tons	1.20
	—	(including 15 tons) 20 feet container	
Class 5 vehicle	—	> 15 tons 40 feet container	1.40

Note:

⁽¹⁾ Since weighing equipment has been installed at all the toll stations of the Jihe Expressway, trucks travelling thereon are not charged according to their vehicle classification but according to their weight as set out below.

Weighing equipment has been installed at all the toll stations of the Jihe Expressway. Therefore, the toll rates applicable to trucks using the Jihe Expressway are determined by the total weight (the “**Gross Vehicle Weight**”) of the vehicle and its cargo. A standard maximum loading capacity (the “**Maximum Loading**”) of a truck is determined according to the number of axles in the truck. If the total weight of a truck exceeds the Gross Vehicle Weight, the toll rates applicable to the exceeding portion is charged according to the toll rates applicable to the weight above Maximum Loading.

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The table below sets out the Maximum Loading for different type of trucks.

<u>Type of truck</u>	<u>Maximum Loading</u>
Two-axle vehicle	18 tons ⁽¹⁾
Three-axle vehicle	27 tons
Four-axle vehicle	36 tons ⁽¹⁾
Five-axle vehicle	43 tons
Vehicle with six-axle or above	49 tons

Note:

⁽¹⁾ During the Track Record Period, the toll rates of all expressways in Shandong Province (including the Jihe Expressway) were governed by the Notice on the Policy of Publication of Tolls (Lu Jia Fei Fa [2006] No. 43) (《關於明確收費公路車通行費徵收政策的通知》(魯價費發[2006]43號)) (the “**Toll Policy Notice**”) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department with a trial period of one year from 1 April 2006. The Notice on Continuing the Implementation of the Policy of Publication of Tolls (Lu Jia Fei Fa [2007] No. 82)(《關於繼續執行收費公路車輛通行費徵收政策的通知》(魯價費發[2007]82號)) (the “**Notice on Continuing the Implementation of the Toll Policy Notice**”) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department in 2007 promulgates the formal implementation of the toll rates set out in the Toll Policy Notice from 1 April 2007. From 28 June 2011 to 31 December 2017, the minimum toll of all expressways in Shandong Province (including the Jihe Expressway) was lowered to RMB5 per vehicle journey pursuant to the Notice on Lowering the Minimum Toll Rate of Expressway (Lu Jia Fei Fa [2011] No. 101) (《關於降低高速公路車輛通行費最低收費標準的通知》(魯價費發[2011]101號)) jointly issued by the Shandong Provincial Price Bureau, the Shandong Provincial Finance Department and the Shandong Transport Department (the “**Notice on Lowering Minimum Toll Rate**”). On 27 December 2017, the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department jointly issued the Notice Regulating Relevant Matters of Toll Rates to be effective from 1 January 2018, superseding the Toll Policy Notice (as extended by the Notice on Continuing the Implementation of the Toll Policy Notice) and the Notice on Lowering Minimum Toll Rate. Save for the Maximum Loading for two-axle vehicle and four-axle vehicle which was 17 tons and 37 tons, respectively, pursuant to the Toll Policy Notice (as extended by the Notice on Continuing the Implementation of the Toll Policy Notice), there was no change to the toll rates of all expressways in Shandong Province (including the Jihe Expressway) between those set out in the Notice Regulating Relevant Matters of Toll Rates and those set out in the Toll Policy Notice (as extended by the Notice on Continuing the Implementation of the Toll Policy Notice and supplemented by the Notice on Lowering the Minimum Toll Rate of Expressway). Save as disclosed above, there was no change in the toll rates of all expressways in Shandong Province (including the Jihe Expressway) during the Track Record Period and up to the Latest Practicable Date.

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The weight-based toll rates applicable to trucks travelling on the Jihe Expressway, as well as all expressways (save grand bridges and tunnels) in Shandong Province the toll stations of which were installed with weighing equipment, as at the Latest Practicable date was set out as follows:

	The portion of the Gross Vehicle Weight less than or equal to 10 tons	The portion of the Gross Vehicle Weight more than 10 tons but not more than 49 tons
Below or at Maximum Loading.	RMB0.08/ton per km (the “Standard Rate”) (subject to a minimum of 5 tons)	Linear reduction from RMB0.08/ton per km to RMB0.03265/ton per km
Over Maximum Loading . . .	Normal toll is charged for the portion of the weight below the Maximum Loading; 0 to 30% (including 30%) of the portion above the Maximum Loading is charged at a linear increasing rate at one to three times of the Standard Rate; 30% to 100% (including 100%) of the portion above the Maximum Loading is charged at a linear increasing rate equal to three to six times of the Standard Rate; more than 100% of the portion above the Maximum Loading is charged at a rate equal to six times of the Standard Rate.	

Further, the minimum toll of all expressways (save grand bridges and tunnels) in Shandong Province (including the Jihe Expressway) is RMB5 per vehicle pursuant to the Notice on Regulating Relevant Matters of Toll Rates.

Note:

According to the Notice on Regulating Relevant Matters of Toll Rates, vehicles passing through grand bridges and tunnels on expressways are additionally charged for that particular grand bridge or tunnel section, such tolls, as confirmed by Frost & Sullivan and WB Group, being higher than those of the normal expressway sections. For details, please refer to the sub-section headed “4 Approach of Traffic and Revenue Forecast — 6. Road and Rail Networks” in Appendix V to this prospectus.

As confirmed by our Directors and Frost & Sullivan, the Jihe Expressway and the 47 expressways held, directly and indirectly, by Qilu Transportation, details of which are disclosed in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Interests of Qilu Transportation in Highways” in this prospectus apply the same toll rates for toll collection.

Toll Rate Discounts and Exemptions

Drivers who drive vehicles registered in Shandong Province and use ETC for toll payment will be offered 5% discount. In addition, pursuant to the Regulations on the Administration of Toll Roads promulgated by the State Council and effective on 1 November 2004, within Shandong Province, all military vehicles and vehicles of armed police force, police cars with standard logos of the public security authorities handling traffic incidents, performing routine patrol duties and handling contingencies on the toll roads within their respective jurisdictions, vehicles authorised by the competent transportation authorities under the State Council or the provincial People's Government for carrying out rescue and relief works and carrier vehicles of combine harvesters (including transplanter) passing the toll collection points of the toll roads within the Shandong Province are exempted from toll payment.

The State Council issued the Holiday Toll-Free Policy on 24 July 2012 with regard to the implementation of the toll-free policy on small passenger vehicles on major festivals and holidays. Pursuant to the Holiday Toll-Free Policy, passenger vehicles with seven seats or less (including motor cycles permitted to travel on toll roads) shall be entitled to use certain toll roads and expressways without charge during major statutory holidays in the PRC. Furthermore, pursuant to the Urgent Notice on Further Improving Policies for Green Passage of Fresh Agricultural Products jointly promulgated by the MOT, the NDRC and the MOF, all toll roads have to adopt the “green passage toll free policy” for fresh agricultural products carrier vehicles with effect from 1 December 2010. For details, please refer to the sub-section headed “Regulatory Overview — Laws and Regulations in relation to Highways — Toll Collection and Set-up of Toll Stations” in this prospectus.

Historical Traffic Flow

The traffic flow of the Jihe Expressway grew naturally along with the economic growth of Shandong Province and maintained steady annual growth as the Jihe Expressway entered into the development stage. During the Track Record Period, a 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.

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The following table sets out a breakdown of the traffic flow of the Jihe Expressway based on the vehicle classification during the Track Record Period.

	Year ended 31 December		
	2015	2016	2017
	<i>Traffic flow (vehicles)</i>	<i>Traffic flow (vehicles)</i>	<i>Traffic flow (vehicles)</i>
Passenger vehicles			
Class 1	8,369,484	10,167,700	11,277,574
Class 2	110,162	121,677	213,027
Class 3	355,061	423,234	413,568
Class 4	297,160	307,000	285,775
Total passenger vehicles	9,131,867	11,019,611	12,189,944
Trucks			
Class 1	600,551	763,354	938,282
Class 2	550,620	660,875	755,759
Class 3	304,265	395,779	473,300
Class 4	236,532	345,146	394,388
Class 5	2,501,592	3,831,827	4,848,542
Total trucks	4,193,560	5,996,981	7,410,271
Total passenger vehicles and trucks⁽¹⁾	13,325,427	17,016,592	19,600,215
Average daily traffic flow⁽²⁾	36,508	46,493	53,699

Notes:

(1) The traffic flow of the Jihe Expressway does not include vehicles exempted from paying tolls. For details of such vehicles please refer to the sub-section headed “Regulatory Overview — Laws and Regulations in relation to Highways — Toll Collection and Set-up of Toll Stations” and the paragraph headed “Toll Rate Discounts and Exemptions” in this sub-section of the prospectus.

(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 increased from approximately 13.3 million vehicles in 2015 to approximately 17.0 million vehicles in 2016, representing a year-on-year increase of approximately 27.8%, which further increased to approximately 19.6 million vehicles in 2017, representing a year-on-year increase of approximately 15.3%. The average daily traffic flow of the Jihe Expressway increased from approximately 36,508 vehicles in 2015 to approximately 46,493 vehicles in 2016, representing a year-on-year increase of approximately 27.4%, which further increased to approximately 53,699 vehicles in 2017, representing a year-on-year increase of approximately 15.5%.

Fluctuations of the traffic flow of the Jihe Expressway

Year ended 31 December 2016 compared with year ended 31 December 2015

The year-on-year increase of approximately 27.8% in the traffic flow of the Jihe Expressway from 2015 to 2016 was mainly contributed by the increase of passenger vehicle traffic and truck traffic of approximately 20.9% and 42.9%, respectively, from approximately 9.1 million vehicles in 2015 to approximately 11.0 million vehicles in 2016 and from approximately 4.2 million vehicles in 2015 to approximately 6.0 million vehicles in 2016, respectively, within which class 1 passenger vehicle traffic and class 5 truck traffic recorded an increase of approximately 1.8 million and 1.3 million vehicles, respectively.

As confirmed by WB Group, the increase in the traffic flow of the Jihe Expressway during the period was contributed by (i) the improvement of road conditions as a result of the intermediate maintenance and repair works conducted in 2015; (ii) repair works of national highway G105 and provincial highway S250 attracting traffic to the Jihe Expressway; and (iii) increased truck traffic, particularly in relation to class 5 trucks, arising from the strict implementation of overweight vehicle management policy since September 2016 pursuant to the formal implementation of the Management Regulation on Overload Transportation Vehicles Travelling on Toll Roads (《超限運輸車輛行駛公路管理規定》) promulgated by the MOT, whereby goods previously delivered by way of overweight vehicles had to be loaded separately on additional trucks to avoid overloading of a single truck.

Year ended 31 December 2017 compared with year ended 31 December 2016

The year-on-year increase of approximately 15.3% in the traffic flow of the Jihe Expressway from 2016 to 2017 was mainly contributed by the increase of passenger vehicle traffic and truck traffic of approximately 10.8% and 23.3%, respectively, from approximately 11.0 million vehicles in 2016 to approximately 12.2 million vehicles in 2017 and from approximately 6.0 million vehicles in 2016 to approximately 7.4 million vehicles in 2017, within which class 1 passenger vehicle traffic and class 5 truck traffic recorded an increase of approximately 1.1 million and 1.0 million vehicles, respectively.

As confirmed by WB Group, the increase in the traffic flow of the Jihe Expressway during the period was the net effect of the increase in traffic flow contributed by (i) the opening to traffic of the Jinan — Xuzhou Expressway in December 2016 forming a north-south directional channel with the Jihe Expressway and attracting certain traffic between Jinan and Xuzhou; (ii) the transformation of national highway G105 leading to its closure to traffic and thus attracting traffic to the Jihe Expressway; and (iii) the realisation of the effect of the implementation of overweight vehicle management policy leading to better realisation of traffic capacity of the Jihe Expressway, partially offset by the decrease in traffic flow contributed by (i) the transformation of the Jinan — Qingdao Expressway from November 2017 restricting trucks with five axles or above to use that expressway and thereby restricting such part of traffic on the Jihe Expressway connecting with the Jinan — Qingdao Expressway; and (ii) the strict implementation of national comprehensive

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environmental protection policies, particularly from November 2017, limiting certain industrial production activities in the regions along the Jihe Expressway and thereby reducing the truck traffic on the Jihe Expressway.

Relatively higher year-on-year increase of 2016 when compared with that of 2017

In addition to the reasons provided above, the relatively higher year-on-year increase of 2016 when compared with that of 2017 was also contributed by the relatively low traffic flow in 2015 due to (i) the intermediate maintenance and repair works conducted for the purpose of the 2015 Inspection Programme Regarding Maintenance and Management of National Highways (2015年全國幹線公路養護管理檢查) affecting the travel quality when using the Jihe Expressway; (ii) the ETC installation works of the Jihe Expressway limiting access to the Jihe Expressway by heavy trucks; (iii) maintenance of provincial highway S104 restricting access of traffic to the Jihe Expressway; and (iv) more frequent adverse weather conditions in 2015 resulting in limitation of access or road closure of the Jihe Expressway.

We believe that with the continued economic growth of Shandong Province and the policy support from the PRC Government and provincial government, we will benefit from the traffic flow of both passenger vehicles and trucks. For details as to the traffic flow forecast of the Jihe Expressway conducted by WB Group, please refer to “Appendix V — Traffic Consultant’s Report” to this prospectus.

Toll Income

The revenue of our Group comprises primarily the toll income from the Jihe Expressway. The calculation of tolls of the Jihe Expressway is based on the distance travelled and the classification of passenger vehicles or the weight of trucks. As such, our toll income principally depends on the classification of passenger vehicles, weight of trucks, traffic flow, applicable toll rates and distance travelled.

The following table sets out the total and average daily toll income of our Company and our Company’s average toll income per vehicle on the Jihe Expressway during the Track Record Period.

	Year ended 31 December		
	2015	2016	2017
Total toll income (<i>RMB'000</i>)	858,862	994,373	1,037,932
Average daily toll income (<i>RMB'000</i>)	2,353	2,717	2,844
Average toll income per vehicle ⁽¹⁾ (<i>RMB</i>)	64.5	58.4	53.0

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.

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During the Track Record Period, the total and average daily toll income increased from approximately RMB858.9 million and RMB2.4 million, respectively, for the year ended 31 December 2015 to approximately RMB994.4 million and RMB2.7 million, respectively, for the year ended 31 December 2016, representing a year-on-year increase of approximately 15.8% and 12.5%, respectively, and further increased to approximately RMB1,037.9 million and RMB2.8 million, respectively, for the year ended 31 December 2017, representing a year-on-year increase of approximately 4.4% and 3.7%, respectively.

Our Company's average toll income per vehicle on the Jihe Expressway decreased from approximately RMB64.5 in 2015 to approximately RMB58.4 in 2016, representing a year-on-year decrease of approximately 9.5%, which further decreased to approximately RMB53.0 in 2017, representing a year-on-year decrease of approximately 9.3%. As confirmed by WB Group, such decreases were mainly due to (i) the strict implementation of overweight vehicle management policy since September 2016; (ii) increasing prevalence of drivers adopting ETC toll payment, which entitled them to a 5% toll discount; and (iii) increased traffic flow from short-distance traffic which were generally charged with lower tolls when compared with long-distance traffic for the same class of vehicles under the applicable toll rates. Particularly, after the strict implementation of overweight vehicle management policy, goods previously carried by one overweight truck could only be carried by two or more trucks, thereby resulting in an increase in the traffic flow of the Jihe Expressway. Nevertheless, as (i) tolls payable by trucks were calculated in accordance with the Gross Vehicle Weight with the portion of the weight above the Maximum Loading charged at multiples of the relevant toll rate; and (ii) trucks were generally charged with higher tolls under the applicable toll rates, a significant reduction of overweight vehicles on the Jihe Expressway as a result led to a decrease in our Company's average toll income per vehicle.

For further information as to our toll income during the Track Record Period, please refer to the paragraphs headed "Year Ended 31 December 2016 Compared with Year Ended 31 December 2015 — Revenue" and "Year Ended 31 December 2017 Compared with Year Ended 31 December 2016 — Revenue" under the sub-section headed "Financial Information — Results of Continuing Operations" in this prospectus.

Seasonality

Our Directors believe that our revenue does not exhibit any significant seasonality except that the toll income in February and October are relatively lower than those of other months. We believe that they are mainly due to (i) there are only 28 or 29 days in February; (ii) tolls are exempt for small passenger vehicles with 7 seats or less (including motor cycles permitted to travel on toll roads) during the lunar new year holiday in February and the National Day holiday in October in accordance with the Holiday Toll-Free Policy; and (iii) there are relatively less commercial and industrial activities before and after the lunar new year holiday which usually takes place in February and the National Day holiday which takes place in October. Therefore, the traffic flow of toll-charging vehicles on the expressways in February and October are slightly lower as compared to those of other months. Our Directors are of the view that the above is in line with the industry norm.

Toll Collection

The toll collection system of the Jihe Expressway is a closed system with computerised toll collection and verification function. In accordance with the government policies, we have installed ETC and MTC toll collection systems at the Jihe Expressway to provide convenience and flexibility to its users for toll payment. The Jihe Expressway has seven toll centres with a total of 44 MTC toll lanes (including 17 entry toll lanes and 27 exit toll lanes), 14 of which are also ETC toll lanes⁽¹⁾ (including 7 entry toll lanes and 7 exit toll lanes). We have participated in the provincial toll collection network administered by the Expressway Toll Settlement Centre. The same toll collection software is used by all the toll lanes in the same expressway network under the centralised management of the Shandong Transport Department.

MTC system

All of our entry and exit toll lanes are installed with the MTC system. If a non-ETC-equipped vehicle enters a MTC toll lane, an expressway pass will be issued by our staff or the self-service pass dispenser (if a self-service pass dispenser is installed) at the entry gate. Upon exiting the Jihe Expressway via a MTC exit toll lane, the driver is required to pay the toll based on the vehicle classification or the weight of the vehicle (depending on whether the vehicle is a passenger vehicle or a truck) and the distance travelled. For further details of toll calculation, please refer to the sub-section headed “Expressway Operations” in this section of the prospectus.

We closely monitor our toll collection and endeavour to minimise fraud and pilfering. Our computer systems maintain accurate records of traffic information (including the time when the vehicle passes through the toll stations, license plate numbers and classification of vehicles) and the tolls received to minimise the possibility of fraud. We have also installed high-definition network security cameras at all toll stations, toll lanes and toll booths to monitor and record toll collection activities on a real-time basis in accordance with our internal policy. The video recordings are retrievable from our computer servers by our supervisors or management for systematic investigations of any losses of tolls when necessary.

As part of the daily toll collection and reconciliation procedures, we require our toll collectors to deposit the cash tolls collected to the finance division of our management centres at the end of their shift before they are off duty. Our staff responsible for toll receipt reconciles the cash collected by the toll collectors against the computer’s records. Discrepancies, if any, will be dealt with immediately in accordance with our cash collection policies. Any shortfall in cash is required to be made good by the toll collector responsible. The cash are packed, sealed and placed in a safe by a designated staff at the management centre.

Note:

⁽¹⁾ These toll lanes are equipped with both MTC devices and ETC devices. Drivers of the vehicles passing through the toll lanes may opt for toll payment under the MTC system or the ETC system.

Our Company has maintained a designated account for depositing the tolls collected in cash and paid by bank cards on a daily basis. The bank engages a security company which arranges escort officers to pick up the sealed packets of cash tolls from our seven management centres along the Jihe Expressway on a daily basis and deliver them to the bank vault by a armoured cash transportation vehicle. Officer of the bank vault will count the cash collected from the security officers and record the amount into the bank system. The fund will be transferred to our Company's designated toll collection account on the second calendar day. Toll paid by bank cards will be transferred to the above designated account upon settlement by the bank. We compare the bank account record against our daily toll report generated from our computer system to ensure accurate amount of toll is deposited into the above designated account.

ETC system

In order to improve the operation efficiency of the Jihe Expressway and the drivers' experience in using the Jihe Expressway and in accordance with the relevant government policies on promotion of ETC system, we have installed ETC systems at 14 toll lanes (7 entry lanes and 7 exit lanes) at the Jihe Expressway since 2011.

The ETC system installed on the Jihe Expressway is administered and approved by the Shandong Transport Department which uses the same system for all expressways in Shandong Province. Our ETC systems are operated in accordance with the policies promulgated by the Shandong Transport Department and in line with the industry practice. ETC technology aims to eliminate congestions on the toll lanes and enhance the overall traffic efficiency, thereby reducing carbon emission from vehicles.

A vehicle must be equipped with an OBU for the driver to use the ETC system. An OBU is an electronic device installed on a vehicle for short-range communication and information exchange with the receivers at the ETC toll lanes by microwave signals. An OBU is registered with a specific vehicle and contains information of the registered vehicle such as the license plate number and the vehicle classification. An OBU is also equipped with a card reader to read and write data onto the ETC card. Vehicles equipped with OBUs with valid ETC cards inserted are eligible for using ETC toll lanes for non-stop and non-cash toll payments.

When a vehicle passes through an ETC toll lane, the ETC system determines whether the passing vehicle is registered with the system, calculates the toll payable, and debits/credits (depending on whether the ETC card is a prepaid card or charge card) the ETC card which is linked to the electronic wallet/registered account of the user. If the vehicle has not been registered in the ETC system, or the vehicle classification or the license plate number of the vehicle does not correspond with the registration information in the system, or the remaining stored value of the ETC prepaid card is insufficient to pay the toll, the ETC system will alert the driver and our staff and prevent the vehicle from leaving the exit toll lane by locking the automatic toll gate until our on-site staff has attended on-site to handle the matter manually. In case the balance of the ETC prepaid card is insufficient to pay the tolls, our staff attended on-site will direct the vehicle to drive through the MTC exit toll

lane by way of cash toll payment in accordance with the MTC cash toll collection procedure. For details, please refer to the sub-section headed “Expressway Operations — Toll Collection — MTC system” in this section of the prospectus.

The following table sets out the modes of entry and exit that an ETC-eligible vehicle may adopt on the Jihe Expressway.

**Modes of entry into and exit
from the Jihe Expressway**

Toll collection operations

ETC entry — ETC exit

When the vehicle passes through the ETC entry and exit toll lanes, the OBU installed in the vehicle with an ETC card inserted in it will automatically connect with the ETC system unit installed at the toll booth next to the ETC toll lane and record the data including the entry and exit points. The ETC system will automatically calculate the toll which is directly debited from/credited to the ETC card (which has linked to an electronic wallet/a registered account) on exit.

ETC entry — MTC exit

The ETC card automatically records the data including the entry point through the OBU when the vehicle passes through the ETC entry toll lane. When the vehicle reaches the MTC exit toll lane, the driver stops the vehicle next to the MTC toll booth, removes the ETC card from the OBU and hands it to the toll collector. The toll collector calculates the toll and directly debits from/credits to the ETC card (which has linked to an electronic wallet/a registered account).

MTC entry — ETC exit

When the vehicle arrives at the MTC entry toll lane, the driver stops the vehicle next to the toll booth and hands the ETC card to the toll collector or places the ETC card in the self-service pass dispenser (if the MTC entry toll lane is equipped with the self-service pass dispenser) for inputting the data including the entry point into the ETC card. The driver is not required to obtain an expressway pass from the toll collector or the self-service pass dispenser.

**Modes of entry into and exit
from the Jihe Expressway**

Toll collection operations

When the vehicle passes through the ETC exit toll lane, the OBU installed in the vehicle with an ETC card inserted in it will automatically connect with the ETC system unit installed at the toll booth next to the ETC toll lane and record the data including the exit point. The ETC system will automatically calculate the toll which is directly debited from/credited to the ETC card (which has linked to an electronic wallet/a registered account) on exit.

MTC entry — MTC exit

When the vehicle arrives at the MTC entry toll lane, the driver stops the vehicle next to the toll booth and hands the ETC card to the toll collector or places the ETC card in the self-service pass dispenser (if the MTC entry toll lane is equipped with the self-service pass dispenser) for inputting the data including the entry point into the ETC card the driver is not required to obtain an expressway pass from the toll collector or the self-service pass dispenser.

When the vehicle reaches the MTC exit, the driver stops the vehicle next to the MTC toll booth and hands the ETC card to the toll collector. The toll collector calculates the toll and directly debits from/credits to the ETC card (which has linked to an electronic wallet/a registered account).

The Jihe Expressway has neither installed any ETC weight-based toll charge system nor ETC-enabled weighing devices. Therefore, the ETC exit toll lanes of the Jihe Expressway do not cater for ETC toll payment by trucks. Truck drivers have to use MTC exit toll lanes for toll payment. Nevertheless, truck drivers may also pay tolls at the MTC exit toll lanes using ETC cards since those toll lanes are equipped with weighing devices. Under such circumstance the truck drivers may adopt the toll payment method described in the paragraph headed “MTC entry — MTC exit” above.

Toll Allocation by the Expressway Toll Settlement Centre

Same as the general expressway design model in the PRC, expressways in Shandong Province are inter-connected, meaning that the start point or end point of an expressway is connected to another expressway so that vehicles travelling on an expressway may continue to travel on another expressway without having to pass through the entrances and exits of the toll stations of the two expressways in order to increase traffic efficiency. As a result, the toll income arising from vehicles that have passed along an expressway but not left the expressway network from that expressway's exit toll lane will only be received by the operator of the expressway through toll allocation by the Expressway Toll Settlement Centre.

All expressways in Shandong Province adopt a closed system with standardised toll collection software and network. Toll collection information from the entrances and exits of the expressways (including all MTC and ETC toll lanes) within the Shandong provincial expressway network will be sent to the system managed by the Expressway Toll Settlement Centre on a real-time basis. If the vehicle exits the expressway network from a toll lane which belongs to a different expressway operator from that of the toll lane at the entrance, the standardised charging system will automatically calculate the total toll payable based on the vehicle's entry and exit information on the expressways determined in accordance with the shortest route⁽¹⁾ between the expressway entry and exit toll lanes, and the toll will be collected by the expressway operator of the exit toll lane (if the driver pays the toll in cash or by bank card) or the Expressway Toll Settlement Centre (if the driver pays the toll by ETC card)⁽²⁾. The total toll is then allocated by the standardised toll collection system to the respective operator of the expressway in accordance with the length of the relevant section of the respective expressway along such shortest route as determined above.

Notes:

- ⁽¹⁾ Prior to 1 November 2017, collection and allocation of tolls of all expressways in Shandong Province were based on the shortest route. Where there are a number of routes for drivers to choose from when travelling from one place to another, tolls will be calculated and allocated by the system in accordance with the length of the shortest route connecting these two places by default.
- ⁽²⁾ The Expressway Toll Settlement Centre, as the administrator of the ETC system in Shandong Province and the card issuing authority of ETC cards (regardless of ETC prepaid cards or ETC charge cards), shall be solely responsible for collecting the tolls payable by the holders of ETC charge cards and provide top-up service of ETC prepaid cards for their cardholders via its customer service network points or its agency network points. Therefore, prior to the toll allocation, the ETC toll income for all expressways in Shandong Province is held by the Expressway Toll Settlement Centre on behalf of all expressway operators.

On 1 November 2017, adhering to the principle of “toll collection and allocation based on the shortest route”, the Shandong Transport Department implemented the alternative route identification and allocation system requesting certain expressway operators in Shandong Province, including our Company, to install license plate identification points along their expressways to record the actual driving routes of vehicles in order to allocate the toll entitlement more accurately. The system allows immediate identification of license plates and vehicle classification and transmits such information to the Expressway Toll Settlement Centre through the standardised toll collection software and network on a real-time basis. In accordance with the rules governing the alternative route identification process, if a vehicle passes along various expressways installed with the license plate identification points, the drivers will be charged of tolls calculated by the length of the shortest route between the start and end points of the vehicles on the expressway network. However, when allocating the portion of the toll income entitled to the respective expressway operator, the Expressway Toll Settlement Centre will use the actual length of sections on each of these expressways the vehicle has travelled on as the base.

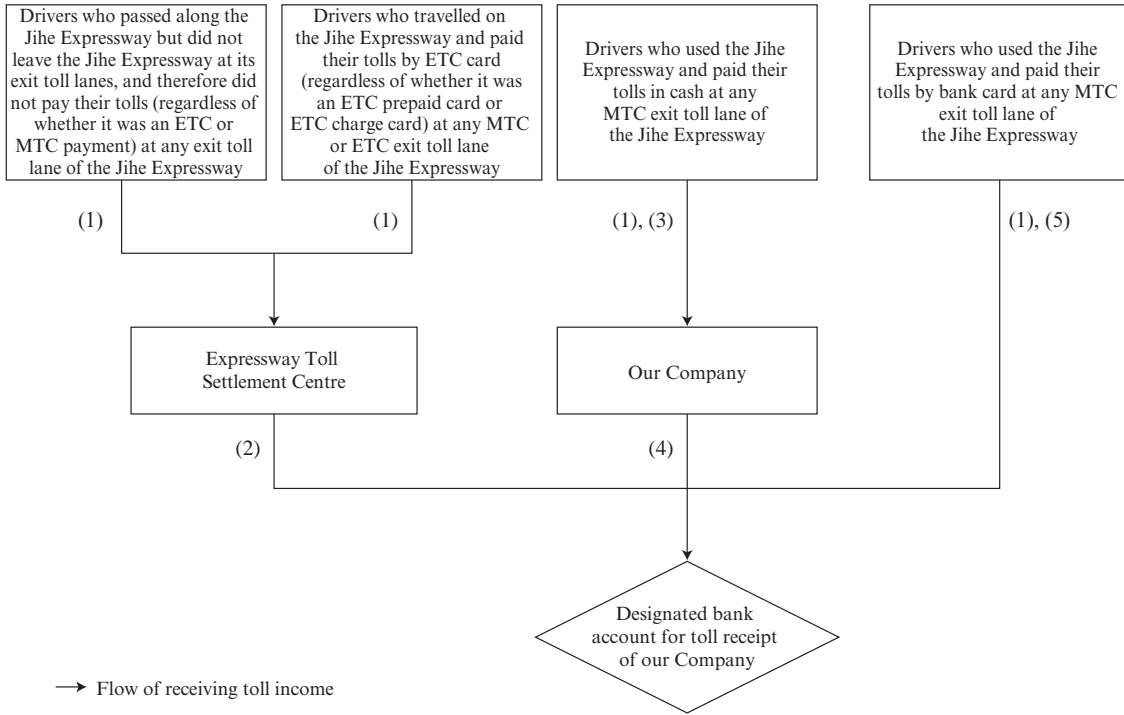
Upon the completion of route identification, toll income arising from vehicles travelling on expressway will be allocated in accordance with the length of the route as identified. Where there is no identified route, toll income will be allocated in accordance with the length of the shortest route. If a vehicle travels along various expressways and only some of which have installed the license plate identification points, the toll payable by the driver shall be determined by the length of the shortest route between the start and end points of the vehicles on the expressway network, and the driver shall pay the total toll at the exit toll lane when leaving the expressway network. For the sections of the expressways installed with the license plate identification points, the Expressway Toll Settlement Centre shall allocate the toll income entitled to each of the operators of expressways installed with the license plate identification points according to the actual length of such sections the vehicle has passed through; and then for other sections whereby the actual route of vehicles travelled along cannot be identified due to the absence of such license plate identification points, upon determination of the shortest route between the start and end points of the vehicle on the expressway network, the toll income entitled to the respective expressway operator along such sections shall be allocated in accordance with the length of the relevant section of the respective expressway along such shortest route.

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Our Directors confirm that the implementation of the alternative route identification and allocation system following the principle of “toll collection and allocation based on the shortest route” would not have any significant impact on our expressway operation and toll collection.

In respect of the total monthly toll income attributable to each of the expressway operators within the Shandong provincial expressway network, the Expressway Toll Settlement Centre will conduct settlement at around the mid of the next month and issue to each expressway operator a reconciliation statement setting out the total toll income entitlement and the amount of tolls (paid by way of cash and bank cards) collected by such expressway operator from its MTC exit toll lanes in the given month. The financial officers of our Company will verify the amount of tolls (paid by way of cash and bank cards) collected from the MTC exit toll lanes of the Jihe Expressway as set out in the reconciliation statement with our Company’s internal record and the record of the designated bank account for toll receipt. As at the Latest Practicable Date, no discrepancies were found among the amount of tolls (paid by way of cash and bank cards) collected by our Company in any given month set out in the reconciliation statement issued by the Expressway Toll Settlement Centre, our internal record and the record of the designated bank account for toll receipt of our Company. Upon calculation and allocation of the toll income entitlement, the Expressway Toll Settlement Centre usually deposits the total toll income entitlement of a certain expressway operator of a certain month, net of the tolls (paid by way of cash bank cards) collected by such expressway operator in that month, into the designated bank account for toll receipt of such expressway operator in the form of cheque within two to three months thereafter.

The following diagram shows the flow of receiving our toll income:



Notes:

- (1) These tolls are calculated and allocated to our Company upon verification by the Expressway Toll Settlement Centre on the basis of the shortest route between the start and end points of the relevant section of the expressway, or, for sections of expressways with license plate identification points, the actual driving route.
- (2) In respect of the total toll income entitlement of our Company for a certain month, the Expressway Toll Settlement Centre will conduct settlement process at around the mid of the next month. Upon calculation and allocation of the total toll income entitlement of our Company, the Expressway Toll Settlement Centre usually deposits the total toll income entitlement of our Company of that month, net of the tolls (paid by way of cash and bank cards) collected by our Company in that month, into the designated bank account for toll receipt of our Company in the form of cheque within two to three months thereafter.
- (3) Drivers pay their tolls in cash at a MTC exit toll lane of the Jihe Expressway.
- (4) Our Company deposits the toll payment collected in cash into its designated bank account for toll receipt on a daily basis.
- (5) Drivers pay their tolls by bank cards at MTC exit toll lanes of the Jihe Expressway. Such tolls will be transferred to the designated bank account for toll receipt of our Company upon settlement by the bank.

We have implemented a number of measures and strategies to improve our toll collection process on the Jihe Expressway, including the following:

1. ***Adoption of self-service pass dispensing system:*** The self-service pass dispensing system has been installed on the Jihe Expressway. Under the system, when a vehicle enters a MTC entry toll lane equipped with the system, a high-definition camera automatically captures the licence plate number, and the system analyses and determines the vehicle classification. When the driver reaches the self-service pass dispenser and presses the expressway pass issue button on it, an expressway pass carrying information such as the licence plate number, the vehicle classification, the time and point of entry into the expressway will be issued. The driver may enter into the Jihe Expressway after collecting the expressway pass. With the self-service pass dispensing system, the issuance time for an expressway pass is shortened to approximately one to three seconds per vehicle. We believe that the self-service pass dispensing system further improves our operational efficiency and increases the traffic flow on the Jihe Expressway, while at the same time reduces the human resources required in issuing the expressway passes to the drivers using the MTC entry toll lanes, thereby further reduces our costs of labour. Up to the Latest Practicable Date, we have installed eleven self-service pass dispensers at the MTC entry toll lanes on the Jihe Expressway.
2. ***Increased effort to reduce toll evasion:*** We have implemented comprehensive policies to fight against toll evasion on the Jihe Expressway and encourage our toll collectors to inspect toll-exempt vehicles under the “green passageway” toll free policy and the Holiday Toll-free Policy. Particularly, we have a video monitoring system in place to identify suspicious vehicles passing through the toll-free “green passage” and may temporarily detain them for inspection and weight measuring to ascertain its eligibility for the toll exemption. Further, we have teamed up with the local traffic police and highway authorities to strengthen the enforcement on toll evasion vehicles. Whenever our staff discovers any driver suspected to engage in toll evasion and cheating, we will temporarily detain the vehicle to allow the traffic police officers on-site to conduct investigation. If any toll cheating or evasion is discovered during the investigation, we will require the driver to pay the tolls before allowing them to exit. We believe that these measures have reduced the negative impact on our toll receipts arising from toll evasion practices.
3. ***Promotion of the use of electronic information system:*** We have implemented an office automation system to enable electronic communication among our departments as well as the automatic collection and processing of electronic information. The electronic information system enables systemisation of our communications, increases the efficiency of data retrieving and recording and reduces our operational management costs through streamlined organisation. Particularly, it enables the commands from our headquarters to be transmitted to our management centres and toll stations along the Jihe Expressway instantly for swift on-site implementations.

Traffic Management

We believe that adopting effective traffic management, optimising toll collection process and facilitating convenient, fast and safe transit are the keys to establish and maintain the Jihe Expressway as a prime route choice. Considering the rapid increase in traffic flow in recent years, our traffic management policies mainly focus on the optimisation of our daily traffic coordination and improvement of our responses during emergency situations on the Jihe Expressway.

Our measures to enhance our traffic management of the Jihe Expressway includes the following:

1. ***Dedicated teams for traffic management and emergency response:*** We have set up our safety operation department as a high-level traffic coordination unit. Our dedicated teams from each of the management centres regularly patrol the sections of the Jihe Expressway they are responsible for and respond to any emergencies as soon as they occur, whether caused by road accidents or bad weather conditions. Each of the teams is comprised of the person-in-charge and the road emergency rescue team of the respective management centre. Further, we have set up a maintenance and emergency response centre at the Dongping management centre, which is located near the mid-point of the Jihe Expressway, and mobile emergency rescue tools will be re-allocated from the maintenance and emergency response centre to Changqing and Liangshan management centres during major festivals and holidays and when the traffic flow of the Jihe Expressway is relatively high to facilitate quick access to incident sites at any points along the Jihe Expressway. The maintenance and emergency response centre is equipped with tools, machineries and vehicles specialised for road clearance after traffic incidents and its emergency rescue team is responsible for the clearance of road blockage in accordance with our internal policy. We have staff on shift-duty at our safety operation department, management centres and maintenance and emergency response centre 24 hours a day to ensure that round-the-clock traffic management and emergency response capabilities are present.
2. ***Strong coordination with other parties to respond to emergencies:*** Under our established cooperation with highway police, during emergency situation and under adverse weather conditions, our safety operation department actively liaises with the traffic police and provide prompt instructions to the relevant management centres to arrange for appropriate measures on the road. Such measures include sending our road emergency rescue teams from the management centres (and our dedicated teams from the maintenance and emergency response centre and emergency rescue stations) to assist the patrol officers on-site to remove blockage and direct traffic to pass by any accident scene. Whereas we maximise our effort to ensure smooth traffic and minimise any traffic congestions and disruptions on the Jihe Expressway, we may need to temporarily close the road during severe weather conditions (such as heavy snow or fog) upon notification by the traffic management authority of the public security bureau as safety is always of our highest priority. We also conduct drills with other

emergency response teams such as the highway police on a regular basis to familiarise ourselves with our emergency response protocols and improve our coordination with these emergency response teams.

3. ***Comprehensive monitoring and information publishing system:*** To enhance our monitoring ability and shorten our response time, we have installed a comprehensive monitoring system featuring high-definition surveillance cameras capable for 360-degree rotation at every two km in average along the Jihe Expressway. They allow our staff to have an all-rounded and detailed view of the whole expressway at all times and minimise the blind spots between any two cameras. The system allows capturing of images and videos which are transmitted through our ten gigabyte ethernet to our safety operation department to facilitate real-time traffic coordination and response to emergencies. For further details regarding our monitoring system and the underlying ten gigabyte ethernet network, please refer to the sub-section headed “Expressway Operations — Information management systems” in this section of the prospectus. We have also placed electromechanical facilities such as changeable message signboards and mobile surveillance facilities at intervals along the Jihe Expressway. With the application of “Internet+mobile video surveillance” technology, we have set up the automotive-contained and hand-held mobile video surveillance systems for our staff at our seven management centres and the maintenance and emergency response centre. Real-time videos and images of the Jihe Expressway can be transmitted by the mobile devices through 4G mobile network to our safety operation department. This significantly enhances our ability to respond quickly to traffic conditions and emergency situations on a 24-hour basis. Changeable message signboards containing safety instructions and road signs are installed at appropriate locations along the Jihe Expressway and at the interchanges. The above facilities and equipment together with the electronic broadcasting system form our comprehensive information publishing system, which can provide the drivers with information of traffic congestion and diversion and road blockage and remind them to drive safely in adverse weather conditions.

Road maintenance and upgrades

According to the Concession Agreement, our Company is responsible at our own costs for maintenance and repair of the expressway throughout the Concession Period. We inspect the road condition of the Jihe Expressway regularly and arrange different types of maintenance and repair works. Designated teams from each of our management centres and our maintenance and emergency response centre conduct daily patrol on the Jihe Expressway and report on the conditions of the road. In addition to the traditional passive mode of maintenance where repair works are conducted whenever damages are discovered, we also conduct preventive maintenance measures on the Jihe Expressway on a periodic basis to maintain the road in good condition and maximise the efficiency of the Jihe Expressway during its service cycle. Our preventive maintenance measures employ advanced technology and scientific evaluation methods to monitor the road conditions, which together with our well-planned comprehensive routine maintenance schedule, we can maintain our road conditions at a satisfactory level for a longer period of time. It prolongs

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the cycle of major repairs, minimise the interruption of services and lowers the overall maintenance cost throughout the expressway life cycle. The annual budget of our Company includes repair and maintenance costs for the relevant year. During the Track Record Period, there were no incidents of material budget overruns or material unforeseen capital expenditure.

The road maintenance and repair works are categorised as follows:

Category	Scope of work
Minor	routine preventive maintenance and repair of minor damages for the road and its facilities
Intermediate	routine reinforcement of the normal wear and tear and partial damage to the road and ancillary facilities in order to restore the normal technical condition of the road
Major	comprehensive, cyclical and structural maintenance of the substantially damaged road and ancillary facilities in order to fully restore the normal technical conditions of the road

In relation to minor maintenance and repair works (except routine maintenance on roadside greenery and lane marking which are administered by our staff of the maintenance and emergency response centre), our designated staff in the management centres will arrange third-party collaborative units to perform the relevant works and conduct on-site supervision of the works. Intermediate and major maintenance and repair works are centrally managed. Such works are carried out by third-party maintenance and repair units and supervised by our project maintenance department at our headquarters. Maintenance works are typically scheduled within a specific period so as to minimise the effect to the traffic on the Jihe Expressway.

In addition, we carry out road upgrade projects from time to time to enhance the traffic efficiency of the Jihe Expressway and drivers' experience in using our roads. For example, we completed an improvement project for the installation of solar-powered highway delineators along certain sections of the Jihe Expressway in June 2015. Under the project, 2,600 solar-powered highway delineators have been installed on the Jihe Expressway to provide the drivers with better delineation of road alignments and guidance on traffic regulations, which further enhance our road safety conditions. We also adopt renewable energy technology on expressway facilities actively. We believe that the project serves as an illustration of our attentiveness to both environmental concerns and the practicably aspect in road upgrades.

We contract out road maintenance and upgrade works to companies with relevant qualifications on the list of qualified constructors of the Shandong Transport Department through a tender process in accordance with the applicable departmental rules and guidelines issued by the provincial transport authorities. For further details of the regulatory requirements on tenders and bids, please refer to the two paragraphs headed "Tendering and Bidding for Highway Construction Projects" and "Contracting and

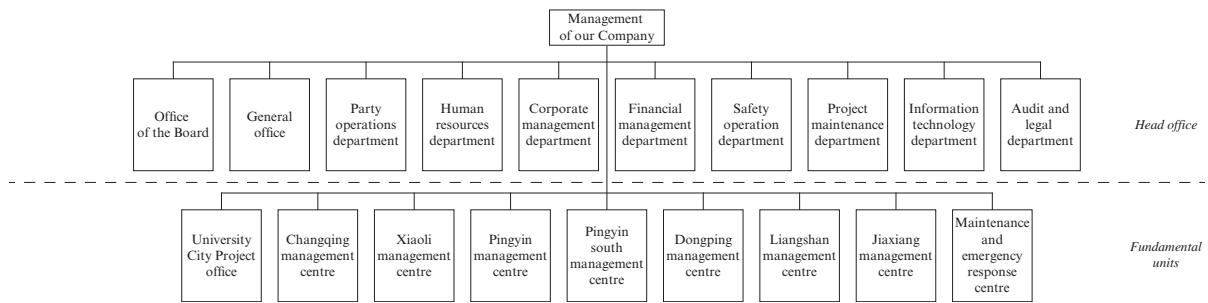
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Subcontracting of Highway Projects” in the sub-section headed “Regulatory Overview — Laws and Regulations in relation to Highways — Construction and Operation of Highways” in this prospectus.

Management and operational staff

We believe that our direct involvement and application of efficient management techniques are the key factors for successful management of the Jihe Expressway. In order to maintain effective and efficient operation, our employees are assigned to different functional teams with separate responsibilities regarding each aspect of the operation and management of Jihe Expressway. Furthermore, we have implemented a flat management structure of “headquarters — management centres” and an integrated management model for toll stations and management centres (站處合一) which allows our headquarters to comprehensively coordinate the operations of all management centres and toll stations and ensure commands from our headquarters are implemented onsite directly by the staff at the management centres and toll stations in a timely manner. For further details of the centralised coordination mechanism implemented by our Safety Operation Department on our traffic management, please refer to the sub-section headed “Expressway Operations — Traffic Management” in this section of the prospectus.

The main organisational structure of our Company in respect of our Expressway Business is set out in the diagram below:



Notes:

The functions of the major units of our expressway operation in the diagram above are as follows:

- Management of our Company: responsible for daily operation and management of our Company, and executing decisions of the Board
- Office of the Board: responsible for the works of our Board including management of routine operations, information disclosure, securities-related matters and performance appraisal of senior management
- General office: responsible for the administrative works of our Company, including overall coordination, administration, press release and promotion, external liaison, documentation, filing and back-office operations

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Party operations department:	responsible for daily operation of the communist party committee ⁽¹⁾ , party discipline committee, labour union and communist youth league committee, establishment and team building of the party organisation, selection and appraisal of mid-level management, construction of ideology and politics, cultural and ethical progress, work of groups, discipline inspection and efficiency supervision of the party, democratic management and disclosure of corporate affairs
Human resources department:	responsible for establishment of organisation and allocation of duties, recruitment, training, remuneration and performance appraisal of staff, administration of social insurance and staff retirement
Corporate management department:	responsible for system establishment, corporate culture development, innovation of business models, technology innovation, reform and restructuring, survey and statistics, organisation and administration of tenders and bids, strategic development planning, business investment, capital operation and management of properties
Financial management department:	responsible for accounting and audit, capital management, funding and financing management, establishment of financial systems and coordinating taxation affairs
Safety operation department:	responsible for formulation, implementation and supervision of safety production system, prevention and control of safety risk, coordination of daily operations, supervision and inspection of toll collection, and participating in the revision and improvement of road contingency response proposals, arranging for road emergency drills timely, handling emergency and rescue incidents on roads promptly and coordinating with relevant departments

Note:

⁽¹⁾ In accordance with The Constitution of the Communist Party of China, our Company has established the communist party committee of Qilu Expressway Company Limited (the “**Party Committee**”). The Party Committee plays a core leading and political role in our Company. The role and scope of authority of the Party Committee include the following:

- (i) to study and convey the principles and policies, laws and regulations promulgated by the Communist Party of China and the State, and to research and adopt measures for the promotion and implementation of such guidelines and policies;
- (ii) to formulate the work plan of the Party Committee, organise activities for the Party and enhance the Party construction work;
- (iii) to work for the establishment of an honest and clean administration within the Party and promote anti-corruption;
- (iv) to review, consider and approve the proposals made by, among others, the labour union of our Company, Communist Youth League and Women’s Federation, to provide support to the operation of employee representative meeting and to be responsible for other significant issues in relation to the interests of employees; and
- (v) to support the Board, the Supervisory Committee and the senior management of our Company in their performance of duties in accordance with the applicable laws and regulations.

For details of the latest development of, and requirements on the Communist Party Committee in the PRC, please refer to the sub-section headed “Regulatory Overview — Recent Development and Requirements on Party Committees of Enterprises in China” in this prospectus.

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Project maintenance department:	responsible for maintenance management, project management, delivery and completion checking and ensuring safety of roads, bridges, greenery areas and facilities for traffic safety; planning and designing of, preparation for, project management of and technology innovation for construction projects for transportation infrastructures including new expressways and reconstruction and expansion of expressways; formulation and implementation of the annual budget and working plans for the maintenance and repairs of the properties and ancillary facilities of our Company and the greenery areas, and supervision, inspection, guiding and evaluation of the progress of maintenance works
Information technology department:	responsible for establishment, maintenance, upgrade, improvement, delivery and completion checking of information systems for toll collection, surveillance, communication and power supply and distribution and the ancillary facilities, administration of company website and network, informationalisation, daily operation and maintenance of financial systems, data security, and authorisation management and maintenance of systems
Audit and legal department:	responsible for internal audits and risk management, supervision and evaluation of key projects, assisting in the legal affairs of our Company, assisting and providing guidance on the legal and litigation matters of our economic activities, and the routine matters of our Supervisory Committee
University City Project office:	responsible for management of university city projects, including road design, acquisition of relevant regulatory approvals, assistance in land acquisition, demolition and relocation prior to construction and management of interchange construction. For details of the University City Projects, please refer to the sub-section headed “Upgrade of the Jihe Expressway” in this section of the prospectus
Management centre:	responsible for toll collection, daily maintenance and internal management of the respective road sections, and coordinating with local governments and related departments to handle emergency and contingency incidents on roads timely, and to ensure the smooth traffic and normal operation and management of the respective road sections
Maintenance and emergency response centre:	responsible for emergency rescue on the whole expressway, clearing up road blockage, maintenance of traffic safety facilities and repairing of roads and machines, and management and use of large clearing equipment and machines

Information management systems

In the early stage of the construction of the mechanical and electrical systems of the Jihe Expressway, our Company has placed a great emphasis on the needs from the road operations and management. Our Company appropriately allocates resources to the management of information technology systems for full utilisation of such systems to enhance its operations and management. Our Company adopts centralised management of toll business and unified scheduling of road operations. The design of the toll system, communication system and monitoring system is substantially based on the philosophy and

concept of centralised monitoring and unified scheduling. We have entered into agreements with third-party information technology contractors for the daily maintenance and repair of the information management system. In addition, based on the service life (i.e. three to five years in general) and the actual operating conditions of the systems, we engage these contractors to update and upgrade the systems so that such systems can be customised for our operations.

Our Company applies three major information management systems for the operation and management of the expressway, namely:

- **Toll system:** The Jihe Expressway forms part of the provincial toll network. The Shandong Transport Department requires all toll expressways in the province to use a standardised software and system for toll collection. The Jihe Expressway has installed the toll collection system adopted by the Shandong Transport Department. The principal functions of the toll system include toll data and traffic data processing, management and transmission, surveillance of toll station equipment such as automatic barrier gates, toll fare indicators and signal lights, snapshot of vehicles entering the toll station and self-service pass dispenser. All operating units in charge of toll collection, including our safety operation department which is responsible for centralised management of toll collection, the monitoring rooms in the management centres and toll lanes on the Jihe Expressway, are connected to the toll system. Through our flat management model, the toll system enables our head office to supervise and manage the toll collection on the toll lanes directly. In addition, each toll station on the Jihe Expressway is currently equipped with ETC toll lanes with a total of seven ETC entry toll lanes and seven ETC exit toll lanes resulting in 100% ETC coverage. Our ETC toll systems are automated toll collection systems, which aim to effectively enhance our traffic efficiency. Furthermore, through the “lane — centre (車道 — 中心)” hotline, toll collectors may contact the staff at our safety operation department directly in case of emergency and special toll operation (such as toll exemption for military vehicles) who will then coordinate the staff at the management centres and the toll stations for any follow-up actions. For further details of our toll system operations, please refer to the sub-section headed “Expressway Operations — Toll Collection” in this section of the prospectus.
- **Communication system:** The Jihe Expressway has adopted the advanced gigabit ethernet as its main network since its construction and a comprehensive network has been formed. The gigabit ethernet is the foundation of the centralised management of our toll business and facilitates the integration of our toll system, monitoring system and communication system. In order to ensure the security of toll collection network and toll data network as well as the quality of image transmission, the communication system of Jihe Expressway were upgraded in 2015. On the basis of the existing gigabit ethernet, a ten gigabit ethernet adopted for expressway has been constructed utilising the existing optical fibre resources. This newly built ten gigabit ethernet is used in the transmission for our monitoring system while the existing gigabit ethernet is used in the transmission of toll data. It helps achieving the physical separation of toll data and image

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transmission for monitoring purpose and sets as the foundation for the transition of the monitoring system of Jihe Expressway from standard definition to high definition.

- **Monitoring system:** Since the construction of the Jihe Expressway, a set of surveillance cameras has been set up along the expressway every two km, with a total number of 88 sets to monitor the whole expressway. All surveillance cameras can rotate 360 degrees and have zoom in-and-out functions, and 65 sets of them are solar powered. Since 2016, we have been upgrading the surveillance system of the whole Jihe Expressway. We have upgraded the original surveillance equipment to high definition video surveillance system and installed cameras at the spots with frequent incident occurrence as well as the original surveillance blind spots of the Jihe Expressway in order to strengthen our capability for monitoring and emergency response.

ADVERTISEMENT BUSINESS

During the Track Record Period, we have also engaged in the Advertisement Business which comprises the leasing of advertisement billboards along the Jihe Expressway and the provision of advertisement publication services. These services include assisting our clients to print the design onto the canvas and setting them up at the advertisement billboards. As at the Latest Practicable Date, our Group has constructed, and obtained the non-highway sign post establishment permits for, 43 advertisement billboards along the Jihe Expressway. For the three years ended 31 December 2017, our revenue from the Advertisement Business was approximately RMB0.4 million, RMB2.7 million and RMB3.4 million, respectively, representing approximately 0.05%, 0.27% and 0.33%, respectively, of the revenue from our Continuing Operations.

COMPETITION

As the expressway industry is of a concessionary nature, an expressway may only face competition from highways of the same class in the vicinity with similar direction and comparable traffic efficiency. The Jihe Expressway is a regional expressway offering transportation between Jinan City and Heze City. Frost & Sullivan and the Traffic Consultant have both confirmed that there are no other highways in the same region as the Jihe Expressway which are more efficient than the Jihe Expressway in terms of the travelling time, direction and driving route. Further, we believe that there are currently no published or official proposals for any additional or alternative expressway connecting Jinan City and Heze City which would be more efficient than the Jihe Expressway in such regions in terms of the travelling time, directions and driving route between these cities. For details, please refer to the paragraphs headed “The Jihe Expressway project has the general characteristics of the expressway industry” and “Competition” in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong)” in this prospectus.

UPGRADE OF THE JIHE EXPRESSWAY

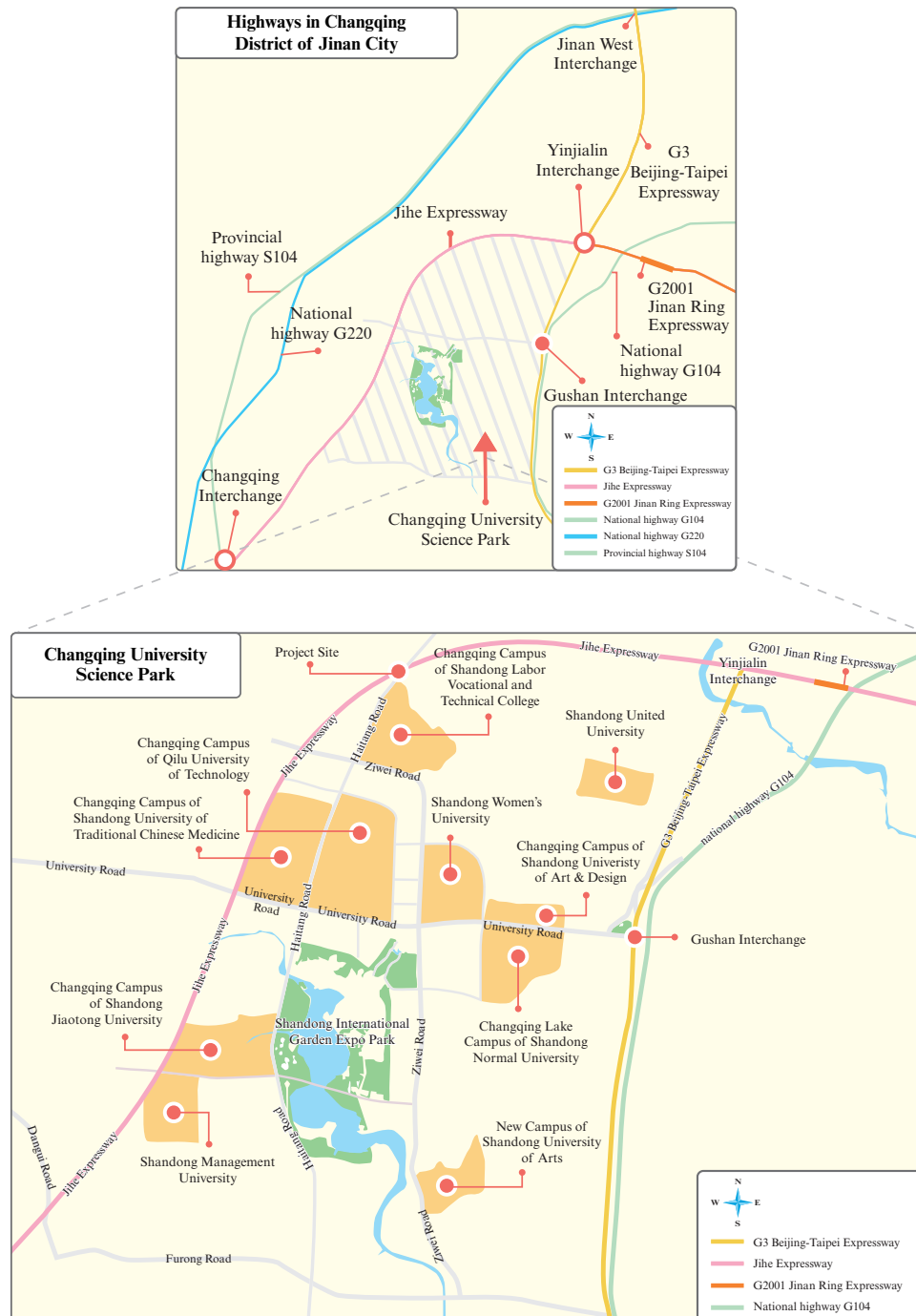
The construction of Jihe Expressway was completed in mid 2007, and it was fully opened to traffic in September of the same year. The development in economy and livelihood has been relatively rapid in the areas along the Jihe Expressway throughout the years, resulting in an increasing demand for efficient and smooth traffic.

To better cope with the development needs of both the Changqing district which is to the west of Jinan City and the Changqing University Science Park, to ease the capacity constraints on the Jihe Expressway and the feeder roads connecting the Changqing district and to enhance the traffic efficiency of these regions, we intend to construct a new interchange with ramps leading to the Changqing University Science Park. The project includes construction of an interchange, a bridge, a ramps, a toll station with 3 entry lanes and 5 exit lanes (including an ETC toll lane to be installed at each of the entry and exit sides), and facilities including a toll collection office, a maintenance and repair centre and a materials warehouse.

The Changqing University Science Park, which is situated at the east of the Changqing district and approximately 16 km away from Jinan City, is one of the core zones of the western new city region (西部新城區) in Jinan City under the “One City and Two Districts Project” (一城兩區) pursuant to the Jinan City Comprehensive Urban Planning (《濟南市城市總體規劃》). The Changqing University Science Park is a project planned by the Shandong Provincial Government and the Jinan Municipal Government in 2002 with an aim to support the development of higher education in Shandong Province. Currently, there are 11 higher education institutions in the park. With the further implementation of the Jinan City Comprehensive Urban Planning and the relevant controlled and detailed planning, the Changqing University Science Park will be developed into an education centre, a healthcare centre and a large residential community within Jinan City, which will further boost the traffic demand in the district.

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The Jihe Expressway and national highway G220 lead to the west and north of the Changqing University Science Park while G3 Beijing-Taipei Expressway and national highway G104 lead to the east of the Changqing University Science Park. The following diagram sets out the geographical locations of the Changqing University Science Park and adjacent toll roads:



Currently, all vehicles traveling in and out of the Changqing University Science Park shall use the expressways through the Changqing Interchange which connects with the Jihe Expressway and provincial highway S104, the Gushan Interchange which connects with the G3 Beijing-Taipei Expressway and the University Road in Changqing district, and the Jinan West Interchange which connects with the G3 Beijing-Taipei Expressway and national highway G220. The above interchanges are relatively far away from the Changqing University Science Park. The national highway G220 and national highway G104 adjacent to the Changqing University Science Park are the main routes connecting Jinan City and Changqing district with high traffic flow and streets developing on the adjacent sides. Vehicles have to travel at lower speed and there are frequent traffic accidents and traffic congestion. We believe that the Changqing University Science Park Interchange Project could shorten the distance traveling in and out of the Changqing University Science Park through expressways effectively and optimise the road network in Changqing district with lower transportation cost and higher efficiency. Furthermore, the project may ease the traffic flow of Changqing Interchange, Gushan Interchange and Jinan West Interchange by diverting more vehicles to use the Jihe Expressway to travel in and out of the Changqing district and the Changqing University Science Park.

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. As at the Latest Practicable Date, the construction of the project has not been commenced.

ANTICIPATED TRAFFIC IMPACT FROM FUTURE ROAD AND RAIL NETWORKS ON THE JIHE EXPRESSWAY

In light of the future road network changes arising from the highway construction programs stipulated in the Shandong's Thirteenth Five-year Plan and the Shandong Expressway Network Medium and Long Term Plan (2014–2030), the opening of various highways in Shandong Province may bring impact to the traffic flow of the Jihe Expressway.

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The following table summarises the anticipated traffic impact of the above highways on the Jihe Expressway.

<u>Name</u>	<u>Type of the highway</u>	<u>Date of road work commencement or closure/Date of road work completion (if applicable) and the toll road opening to traffic</u>	<u>Traffic diversion/attraction on the Jihe Expressway</u>	<u>Details of the traffic diversion/attraction impact</u>
Completion of maintenance of national highway G105	Class I highway	10 May 2017/ 31 December 2017	Traffic diversion impact Traffic flow: -1.1% Toll income: -1.5%	Closure of the national highway G105 (the boundary between Pingyin County and Dongping County to Longshantun Village section) was ended in December 2017. Upon the completion of construction, it is anticipated that certain short-distance traffic will return to the national highway G105.
Restriction on trucks with five axles or above during the transformation of Jinan — Qingdao Expressway	Expressway	1 November 2017/ 31 January 2019 (estimated to be opened in the 4 th quarter of 2018)	Traffic diversion impact Traffic flow: -4.6% Toll income: -8.3%	Affected by the transformation of the Jinan — Qingdao Expressway, trucks with five axles or above will be restricted from using the Jinan — Qingdao Expressway. Class 4 and Class 5 trucks travelling to Heze from regions such as Weifang and Zibo will be restricted from using the Jihe Expressway, resulting in a decrease in toll income during the transformation period.
Closure of national highway G220 for construction	Class I highway	1 February 2018/ 31 December 2018	Traffic attraction impact Traffic flow: +2.7% Toll income: +3.0%	Subject to the approval by the competent authorities, all lanes of the national highway G220 (Taozhuang to the boundary between Pingyin County and Dongping County section) would be closed for construction works from 1 February 2018 to 31 December 2018. During the period, traffic may be diverted to drive through the national highway G105 and the Jihe Expressway, resulting in an increase in traffic flow and toll income of the Jihe Expressway.

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<u>Name</u>	<u>Type of the highway</u>	<u>Date of road work commencement or closure/Date of road work completion (if applicable) and the toll road opening to traffic</u>	<u>Traffic diversion/attraction on the Jihe Expressway</u>	<u>Details of the traffic diversion/attraction impact</u>
G22 Qingdao — Lanzhou Expressway (Tai'an to Liaocheng Section)	Expressway	15 October 2016/ December 2019	Traffic attraction impact Traffic flow: +0.6% Toll income: +0.2%	With the opening of the G22 Qingdao — Lanzhou Expressway (Tai'an to Liaocheng Section), some of the traffic from Tai'an and Laiwu to Heze, Kaifeng and Shangqiu will be attracted to G22 and the Jihe Expressway.
Juye — Shan County Expressway: Wangguantun Interchange (links Jihe Expressway and Rizhao — Lanzhou Expressway) to south connects Dangshan — Qimen Expressway through Shan County	Expressway	May 2017/May 2020	Traffic attraction impact Traffic flow: +2.4% Toll income: +2.0%	With the opening of the Juye — Shan County Expressway, some of the traffic from Liaocheng, Dongping and Pingyin to Xuzhou will be attracted to the Jihe Expressway and the Juye — Shan County Expressway.
Jinan — Tai'an Expressway	Expressway	December 2016/ March 2020	Traffic diversion impact Traffic flow: -0.1% Toll income: -0.2%	With the opening of Jinan — Tai'an Expressway, small amount of the traffic from Jinan to Tai'an will be diverted to Jinan — Tai'an Expressway.
Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Ningyang to Liangshan Section)	Expressway	December 2016/ December 2019	Traffic attraction impact Traffic flow: +0.4% Toll income: +0.2%	With the opening of Qingdao (Dongjiakou Port) — Liangshan Expressway (Ningyang to Liangshan Section), some of the traffic from Tai'an, Laiwu to Heze, Shangqiu will be attracted to this expressway and the Jihe Expressway.

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Name	Type of the highway	Date of road work commencement or closure/Date of road work completion (if applicable) and the toll road opening to traffic	Traffic diversion/attraction on the Jihe Expressway	Details of the traffic diversion/attraction impact
Dezhou — Dong'e Expressway (Gaotang to Dong'e Section) .	Expressway	18 December 2017/ December 2020	Traffic diversion impact Traffic flow: -0.1% Toll income: -0.1%	With the opening of the Dezhou — Dong'e Expressway (Gaotang to Dong'e Section), some traffic from Gaotang, Xiajin, Yucheng to Pingyin, Dongping, Jining will be diverted to this expressway.
Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Xintai to Ningyang Section) .	Expressway	December 2017/ December 2020	Traffic diversion impact Traffic flow: -0.3% Toll income: -0.3%	With the opening of Qingdao (Dongjiakou Port) — Liangshan Expressway (Xintai to Ningyang Section), some of the traffic from Xintai, Menyin to Heze, Shangqiu will be diverted to this expressway.
Major maintenance and repair works of the Jihe Expressway	Expressway	2022	Traffic diversion impact Traffic flow: -7.8% Toll income: -7.5%	The Jihe Expressway is planned to carry out major maintenance and repair works in 2022, which will affect the travelling quality of vehicles and cause some diversion for short-distance traffic.
Dezhou — Dong'e Expressway (Dezhou to Gaotang Section)	Expressway	The engineering feasibility study is not conducted and reasonable expectation of the opening year is 2025.	Traffic diversion impact Traffic flow: -3.5% Toll income: -3.7%	With the opening of the Dezhou — Dong'e Expressway (Dezhou to Gaotang Section), some traffic from Dezhou, Hebei, to Pingyin, Dongping, Jining will be diverted to this expressway.

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Name	Type of the highway	Date of road work commencement or closure/Date of road work completion (if applicable) and the toll road opening to traffic	Traffic diversion/attraction on the Jihe Expressway	Details of the traffic diversion/attraction impact
Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section)	Expressway	The section from Dongjiakou to Wulian is at engineering feasibility study stage, and the full line is expected to be opened by 2030	<p>Traffic attraction impact</p> <p><i>Combined effect of Qingdao (Dongjiakou port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) and Jinan Second Ring Road:</i></p> <p>Traffic flow: +3.2%</p> <p>Toll income: +2.9%</p>	<p><i>Combined effect of Qingdao (Dongjiakou port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) and Jinan Second Ring Road:</i> in 2030, the Jinan Second Ring Road and Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway will be open to traffic, causing some traffic under the “Dezhou — Dong’e — G22 — Pingyin South Interchange” route to be diverted to “G3 — Jinan Second Ring Road — Jihe Expressway — Pingyin South Interchange” route. In addition, the traffic from Qingdao to Heze (using the G1511) would be enticed to use “Qingdao — Liangshan — Jihe Expressway” route.</p>
Jinan Second Ring Road.	Expressway	It is estimated to be opened in 2030	<p>Traffic attraction impact</p> <p><i>Combined effect of Qingdao (Dongjiakou port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) and Jinan Second Ring Road:</i></p> <p>Traffic flow: +3.2%</p> <p>Toll income: +2.9%</p>	(please refer to the above)

Further, rail networks can bring about traffic impact to the Jihe Expressway. The existing railways next to the Jihe Expressway includes the Beijing-Shanghai Railway, the Beijing-Shanghai High-speed Railway and the Beijing-Kowloon Railway. The aforesaid railways have been in operation for many years and their impact has been reflected in the current traffic flow of the Jihe Expressway.

The Beijing-Kowloon High-speed Railway is planned to be constructed. The Beijing-Kowloon High-speed Railway will connect the Beijing West Railway Station to the north and the Kowloon Station (Hong Kong) to the south through Hebei Province, Shandong Province, Henan Province, Anhui Province etc.. According to the Medium and Long Term Development Plan of Shandong Provincial Comprehensive Transportation Networks (《山東省綜合交通網中長期發展規劃》), the section of such railway line within Shandong Province, which is also called the Linqing — Liaocheng — Heze Railway, is the western vertical line of the “three verticals and three horizontal rail system (三縱三橫)”. It has a total length of approximately 270 km including three stations, namely Linqing station, Liaocheng station and Heze station. As confirmed by WB Group, the impact from opening of the Beijing-Kowloon High-speed Railway on the traffic flow of the Jihe Expressway in the future is minimal.

For details, please refer to the sub-section headed “4 Approach of Traffic and Revenue Forecast — 6. Road and Rail Networks” in Appendix V to this prospectus.

SALES AND MARKETING

During the Track Record Period, substantially all of the revenue from our Continuing Operations was derived from the tolls collected on the Jihe Expressway. Our marketing strategies mainly include setting up more direction boards in nearby connecting roads that show clear directions to the Jihe Expressway, distributing travel route guidance cards, leveraging e-commerce channels to promote the Jihe Expressway and providing traffic news via radio broadcasting to promote the Jihe Expressway.

CUSTOMERS

Given the nature of our Expressway Business, we did not have any single customer that contributed more than 5% to the revenue from our Continuing Operations, or that was otherwise material to our business, during the Track Record Period. Accordingly, none of our major customers is also a major supplier.

SUPPLIERS AND PROCUREMENT

The suppliers for our Continuing Operations primarily consisted of road construction, electrical and mechanical engineering contractors as well as equipment maintenance services providers. During the Track Record Period, purchases from our top five suppliers of our Continuing Operations collectively accounted for less than 30% of our total cost of sales for our Continuing Operations.

We require our contractors and their responsible staff to possess the requisite qualifications for the works they are commissioned. The Shandong Transport Department has maintained a list of qualified contractors selected based on their professions, experience, capability, qualifications, quality of works and reputation in the industry. We usually select appropriate contractors from the list. We also take into account the scale and complexity of the work and price before engaging a particular contractor. In addition to those on our list of qualified contractors, we have readily available alternative suppliers in the market who offer similar materials with comparable terms to replace our existing

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contractors. To mitigate the risks associated with any reliance on our suppliers, we periodically review our list of qualified suppliers, seek potential alternative suppliers and obtain quotations from them in order to keep contact with potential suppliers who can offer favourable terms for provision of goods and services.

We have established a centralised procurement policy for the selection of suppliers. At the beginning of each year, our business units will prepare their own annual procurement plans which will be submitted to our corporate management department for centralised procurement. Based on the business needs, the relevant business units may also prepare the procurement plans from time to time and present them to our corporate management department for centralised procurement. Depending on the expected amount of purchase, we may adopt public tendering, competitive negotiation or price quotation to select our suppliers. Our corporate management department is mainly responsible for the procurement work whereas our business units provide input towards the technical specifications where necessary.

We have set up a dedicated team comprising the staff from our corporate management department and the relevant business units and, where appropriate, experts to review the bids and quotations or conduct the negotiation (as the case may be). We will evaluate their quality of works upon completion of the relevant engagement.

As at the Latest Practicable Date, we had not experienced any material breach of the terms of agreements or material delay or interruption or substantial difficulties in our procurement, and we did not have any material dispute with any of our suppliers during the Track Record Period.

INVENTORY CONTROL

We have inventory control policies in place to support our operational needs. Our inventories mainly include materials and spare parts needed to carry out minor and emergent maintenance and repair. We usually project our inventory needs based on our experience in carrying out routine maintenance and repair works and dealing with emergencies, and prepare the annual procurement plan based on the projections. Our staff at the project maintenance department monitors the usage of the inventories and prepares for ad-hoc procurement when the usage rate far exceeds the expected rate. We also perform stock take at least twice a year to ensure the accuracy and correctness of stock-in and stock-out information on record. For details, please refer to the sub-section headed “Financial Information — Inventories” in this prospectus.

QUALITY CONTROL

We place heavy emphasis on the quality of our maintenance and repair and road upgrade works. We have a total of 42 personnel from the project maintenance department and the management centres responsible for the implementation of our quality control. We have internal guidelines in place which sets out the technical standards for each type of maintenance and repair works. We have designated teams from each of our management centres and our maintenance and emergency response centre to conduct daily patrol on the Jihe Expressway and report on the conditions of the road. Minor defects are rectified by our

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qualified staff or the third-party collaborative units as soon as possible to maintain the quality of our road surface. In relation to maintenance and repair and road upgrade works contracted out by way of tender, competitive negotiations or price quotation, we specify in the tender or quotation documents the technical standards that their works have to be met. We will also evaluate their quality of work upon completion of the relevant engagement to ensure the standard is met and for future engagement consideration.

In accordance with the industry practice, we engage a third-party inspection organisation to fully assess the PQI of the Jihe Expressway every year. According to the pavement quality reports issued by the third-party inspection organisation on 16 January 2015, 25 March 2016, 15 January 2017 and 22 December 2017, the average of PQI of the Jihe Expressway was 92.3, 91.5, 90.8 and 92.9, respectively. Our quality control measures have enabled us to maintain the condition of the Jihe Expressway at high standard, for which we have received many awards and recognitions. For further details of our major awards and recognitions, please refer to the sub-section headed “Awards and Recognitions” in this section of the prospectus. Our management system is also accredited under the GB/T 19001–2016/ISO 9001:2015 standard and we have obtained the relevant certificate as a recognition of the standard of our quality management and control system.

During the Track Record Period and up to the Latest Practicable Date, there were no material quality issues with respect to our business operations or our works as evaluated by the third-party contractors.

INSURANCE

In accordance with the relevant PRC laws and regulations, we have purchased the mandatory vehicle traffic accident liability insurance (機動車輛交通事故責任強制保險) for the Jihe Expressway and the mandatory comprehensive vehicle insurance policies (車輛全險) to cover our vehicles used in our operations. We have also purchased supplementary medical insurance and corporate annuity for our employees and maintained group life accident insurance for our employees covering accident claims arising from their daily work. As the Expressway Business is our principal business, we believe that the coverage of our existing insurance policies are sufficient for our present operations and consistent with the industry practice. For maintenance and repair and road upgrade works carried out by our contractors, they are required to maintain sufficient insurance coverage for themselves and their employees under the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material insurance claims. Nevertheless, there may be certain risks for which we are not insured and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. For further details of such risks, please refer to the sub-section headed “Risk Factors — Risks relating to our Business — We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, financial condition, results of operations and prospects may be materially and adversely affected.” in this prospectus.

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EMPLOYEES

We value our employees as important assets. We believe that our long-term business growth depends on the knowledge, experience and development of our employees. Our human resources department is in charge of the employee recruitment, training, compensation and performance review. As at the Latest Practicable Date, we had 412 employees, all of whom were based in Shandong Province. The following table sets out the breakdown of our employees by function as at the Latest Practicable Date:

<u>Function</u>	<u>Number of employees</u>
Directors and management ⁽¹⁾	7
Toll collection	204
Operations and traffic management	139
Engineering and maintenance	9
Administration and human resources	17
Finance, accounting and legal support	11
Sales and marketing	12
Information technology support	7
Road upgrades and expansion	6
Total	412

The following table sets out the breakdown of our employees based on their geographical location as at the Latest Practicable Date:

<u>Geographical location</u>	<u>Number of employees</u>
Jinan	257
Tai'an	70
Jining	85
Total	412

We mainly recruit our employees by way public recruitment through posting recruitment information online. The remuneration for our employees includes basic salaries, bonuses and other staff benefits, such as corporate annuity, supplementary medical insurance and group life accident insurance coverage. In general, we determine the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. We also provide our employees with continuing education and regular on-the-job training based on their job duties.

For the three years ended 31 December 2017, we incurred total staff costs (including salaries, wages, bonuses and other benefits) of approximately RMB55.3 million, RMB57.4 million and RMB65.3 million, respectively.

Note:

⁽¹⁾ Including executive Directors and senior management of our Company. Our non-executive Directors are not employees of our Company.

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Our labour union represents our employees' interests and communicates closely with the management regarding labour matters. During the Track Record Period, we had not experienced any interruptions to our operations caused by major labour disputes and there were no complaints or claims from our employees which had a material adverse effect on our businesses. We believe that we have a good relationship with our employees.

SOCIAL SECURITY SCHEMES

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and maternity insurance, as well as a housing fund for our employees. As confirmed by our Directors, we have made social insurance contribution for our employees in accordance with the applicable laws and regulations in all material aspects and we have not been subject to any penalty, and there has been no outstanding social insurance payment, and we have made housing fund contributions for our employees. We had also complied with the payment obligations in respect of the statutory social insurance and housing fund applicable to us in all material respects under the PRC laws during the Track Record Period and up to the Latest Practicable Date.

HEALTH AND SAFETY

Pursuant to the national and local health and safety laws and regulations in China, we are required to provide our employees with a safe working environment, which includes providing adequate protective clothing and gear, safety education and training and having dedicated safety management personnel, among other requirements. We have developed and implemented various internal safety management policies to protect our staff at work. Particularly, our safety operation department is responsible for overseeing the implementation of these policies as well as the supervision and internal assessment of implementation of such measures, as supported by a combination of effective incentives and safety control reporting mechanism.

We have formulated and implemented various manuals and internal policies with regard to safety control procedures and standards, which are specifically tailored to meet the safety needs of individual tasks, such as maintenance and repairs, emergency response, on-site traffic coordination and toll collection works. We require our staff to abide by those manuals in carrying out their job duties. Further, we provide occupational safety trainings to all of our employees when they join our Group and on a regular basis during their employment. Our employees must attend the trainings and pass the relevant assessments before they are qualified to work on their assigned positions.

We believe that our health and safety control measures are adequate and comply with the applicable national and local health and safety laws and regulations in the PRC. During the Track Record Period and up to the Latest Practicable Date, none of our employees have been involved in any major accident in the course of their employment and we have complied with the applicable national and local health and safety laws and regulations in all material respects, and the relevant PRC authorities have not imposed any sanctions or penalty on us for incidents of non-compliance of any health and safety laws or regulations in the PRC.

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RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

INTELLECTUAL PROPERTY

We entered into the Trademark License Agreement with Qilu Transportation on 12 December 2017, pursuant to which we are granted a licence to use certain trademarks at nil consideration for an initial term of three years from the date of the agreement, which shall automatically be renewed for a term of three years upon serving of written notice to Qilu Transportation by our Company one month prior to its expiry, subject to relevant laws, regulations, applicable securities listing rules and requirements of the regulatory authorities. Please refer to the sub-section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules — (1) Trademark License Agreement” in this prospectus. We have also registered a domain name for use as our Company’s website. For further details of the intellectual properties owned by us as at the Latest Practicable Date, please refer to the sub-section headed “4. Further Information about Our Business — B. Our intellectual property rights” in Appendix VIII to this prospectus.

To the best of our Directors’ knowledge, during the Track Record Period and up to the Latest Practicable Date, there had not been any material infringement of our intellectual property rights and there had not been any pending or threatened claims against us in relation to the infringement of any intellectual property rights of Independent Third Parties arising from our business operations.

AWARDS AND RECOGNITIONS

The following table sets out the major awards and recognitions we have obtained (and assisted in obtaining) in connection with our operation, maintenance and management of the Jihe Expressway in the past:

<u>Awards and recognitions</u>	<u>Issuing body/Approval body</u>	<u>Year/month of issuance</u>
First Class Honour of Major Provincial Transportation Project Accomplishment (全省交通重點工程立功競賽集體一等功)	Shandong Labour Union and the Shandong Transport Department	2007
Leading Unit in Creating Civilised Industry under the Eleventh Five-year Plan (「十一五」創建文明行業先進單位)	Shandong Highway Bureau	August 2011
Outstanding Team of Provincial Expressway Maintenance and Management Works under the Eleventh Five-year Plan (「十一五」全省公路養護管理工作優秀集體)	Shandong Highway Bureau	June 2012

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<u>Awards and recognitions</u>	<u>Issuing body/Approval body</u>	<u>Year/month of issuance</u>
Top Ten Civilised Brand of Highway Systems in Shandong Province (山東省公路系統十大文化品牌)	Shandong Highway Bureau	December 2014
Outstanding Unit under National Trunk Highway Maintenance and Management under The Twelfth Five-year Plan (「十二五」全國幹線公路養護管理優秀單位) ⁽¹⁾	MOT	December 2015
Model Team of 2015 National Highway Transportation System (2015年全國公路交通系統「模範班組」) ⁽²⁾	National Committee of the Chinese Seaman & Construction Workers' Union (中國海員建設工會全國委員會)	December 2015

Notes:

- (1) The award was obtained by the Shandong Transport Department and our Company was the unit being inspected.
- (2) This award was obtained by the Changqing management centre of our Company.

ENVIRONMENTAL MATTERS

We are subject to a number of environmental laws and regulations, including the PRC Environment Protection Law, the PRC Law on Prevention and Control of Noise Pollution, the PRC Law on Environmental Impact Assessment and the Administrative Regulations on Environmental Protection in relation to Construction Projects. For further details of the applicable environmental laws and regulations, please refer to the sub-section headed “Regulatory Overview — Environment Protection” in this prospectus.

In relation to the construction and road upgrades of the Jihe Expressway, we have duly undertaken the legal procedures required under the applicable environmental laws and regulations, including compiling the environmental impact assessment report, the plan on soil and water conservation, the risk assessment report on geological disasters and the earthquake safety evaluation report, all of which have been approved and confirmed by the competent authorities. Whereas such works are performed by our contractors, our project maintenance department, corporate management department and management centres are responsible for the environmental compliance matters in respect of their works.

Although the nature of our business does not constitute us a heavy polluting industry and we believe that the impact of our operations on the environment is minimal, we have taken necessary internal environmental protection measures to minimise the pollution to the environment. We have established GB/T 24001–2016/ISO 14001:2015 environmental management systems and received the relevant certificates. Based on GB/T 24001–2016/ISO 14001:2015 “The Requirements of Environment Management System and User’s Guide”,

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we have adopted stringent measures to control pollutant produced in our operations and established an environmental protection and control system. We intend to maintain our efforts in environmental protection and reduce pollution at its source. In addition, we have included environmental protection initiatives in our daily operations and road upgrades, examples of which include:

- installation and usage of electronic communication system and office automation system to create a paperless working environment;
- active promotion of road regeneration technology to increase the recycling rate of road materials; and
- installation of solar-powered highway delineators and solar-powered video surveillance cameras to promote the use of renewable energy resources.

Our PRC Legal Advisers have advised us that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable environmental laws and regulations in all material aspects.

Our environmental compliance expenses were RMB18,800, RMB18,800 and RMB52,716 for the three years ended 31 December 2017, respectively. To the best of our Directors' knowledge, information and belief, we do not expect our costs of compliance with environmental laws and regulations to increase significantly in the near future.

LAND USE RIGHTS AND PROPERTY INTERESTS

The headquarters of our Group is located in Jinan, Shandong, the PRC. As at the Latest Practicable Date, our Company entered into the Land Use Right Lease Agreement with Qilu Transportation to obtain the effective land use right in respect of 29 parcels of lands along the Jihe Expressway. In addition, as at the Latest Practicable Date, our Company owned 82 properties and leased 45 properties along the Jihe Expressway using as the seven management centres and one maintenance and emergency response centre through the entering into of the Property Lease Agreement with Qilu Transportation. All of the above properties are located in the PRC. For further details of the Land Use Right Lease Agreement and the Property Lease Agreement, please refer to the sub-sections headed “(1) Land Use Right Lease Agreement” and “(2) Property Lease Agreement” in the sub-section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules” in this prospectus.

As at 31 December 2017, the carrying amount of the property interest under the non-property business of our Group accounted for less than 15% of the total assets of our Group. Accordingly, this prospectus is exempted from complying with the provisions of Listing Rules for the inclusion of a valuation report under Rule 5.01A of the Listing Rules. In respect of the requirements in relation to the inclusion of a property valuation report under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34 (2) of the Third Schedule to the Companies (Winding Up and

Miscellaneous Provisions) Ordinance, there is a similar exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Land Use Rights

As at the Latest Practicable Date, our Company has entered into the Land Use Right Lease Agreement with Qilu Transportation to obtain the effective land use right in respect of 29 parcels of lands along the Jihe Expressway with a total site area of 10,181,936.30 sq.m., which cover the entire main line of the Jihe Expressway.

Pursuant to the approval of the Shandong Provincial Government dated 7 November 2016 and the further approval of the Shandong Provincial Department of Land and Resources dated 29 December 2016 on capital injection (collectively the “**Approvals on Capital Injection**”), the land use rights of the state-owned allocated lands of the Jihe Expressway shall be injected into Qilu Transportation by the Shandong Provincial Government by way of capital injection (the “**Capital Injection**”). On 11 December 2017, Qilu Transportation completed the formalities in relation to the change of land certificates for the lands of the Jihe Expressway upon the Capital Injection in accordance with the Approvals on Capital Injection and obtained the immovable property right certificates for the lands of the Jihe Expressway.

In order to ensure the exclusive and unfettered rights of our Company to use the land of Jihe Expressway within the remaining Concession Period, Qilu Transportation and our Company entered into the Land Use Right Lease Agreement on 12 December 2017, pursuant to which, Qilu Transportation agreed to lease the land use right in respect of the land of the Jihe Expressway to our Company during the period from 1 January 2017 to 25 September 2034 (i.e. the expiry date of the Concession Period) in order to facilitate our Company to operate and manage the Jihe Expressway during such period.

As confirmed by our PRC Legal Advisers, (i) Qilu Transportation has the right to enter into the Land Use Right Lease Agreement; and (ii) the Land Use Right Lease Agreement is in compliance with the laws of the PRC, and (iii) the Land Use Right Lease Agreement and the transactions contemplated in this agreement are legally valid. For further details of the Land Use Right Lease Agreement, please refer to the sub-section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules — (1) Land Use Right Lease Agreement” in this prospectus.

Property Interests

Self-owned properties

As at the Latest Practicable Date, our Group had 82 self-owned properties, including four properties used as the headquarters of our Company (the “**Four Headquarters Properties**”) and 50 properties used as its underground parking lots (the “**50 Underground Parking Lots**”), as well as 28 properties for non-principal operational use (the “**28**

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Properties for Non-principal Operational Use”), with an aggregate GFA of 9,323.99 sq.m.. While our Group has not yet obtained the building ownership certificates in respect of these properties,

- for the Four Headquarters Properties (with a GFA of 6,259.30 sq.m.), we have entered into commodity property sale and purchase contracts with the developers of these properties and completed the online execution procedures. In addition, relevant approvals for the construction and pre-sale of these properties have been obtained and their developers have received the Completion and General Inspection Filing Certificate of Property Development Project (《房地產開發項目竣工綜合驗收備案證明》) upon the overall completion and inspection of the relevant property projects. The developer of these properties has undertaken to our Company that the completion, inspection and filing procedures of the Four Headquarters Properties have been completed, and the title certificates of the Four Headquarters Properties will be obtained and delivered to our Company before 30 April 2018⁽¹⁾. There is no difficulty for the application for, or impossibility in the obtaining of, the title certificates for the Four Headquarters Properties;
- for the 50 Underground Parking Lots (with a GFA of 1,235.14 sq.m.), we have entered into commodity property sale and purchase contracts and/or the supplementary contracts thereof with the developers of these properties, while the online execution procedures are not yet conducted. In addition, relevant approvals for the construction of these properties have been obtained and their developers have received the Completion and Inspection Filing Certificate of Construction Project in Jinan High-tech Industrial Development Zone (《濟南高新技術產業開發區建設工程竣工驗收備案表》) upon the completion and inspection of the 50 Underground Parking Lots. The developer of these properties has undertaken to our Company that the completion, inspection and filing procedures of the 50 Underground Parking Lots have been completed, and the title certificates of the 50 Underground Parking Lots will be obtained and delivered to our Company by 30 December 2019. There is no difficulty for the application for, or impossibility in the obtaining of, the title certificates for the 50 Underground Parking Lots;
- for the 28 Properties for Non-Principal Operational Use (with a GFA of 1,829.55 sq.m.), we have entered into commodity property sale and purchase contracts with the developers of these properties and completed the online execution procedures. In addition, relevant approvals for the construction and pre-sale of these properties have been obtained. The developer of these properties has undertaken to our Company that the title certificates of the 28 Properties for

Note:

- ⁽¹⁾ In accordance with the letter of undertaking issued by the developer of the Four Headquarters Properties and as confirmed by our Directors, the developer had not obtained the title certificates in respect of the Four Headquarters Properties before 30 April 2018 due to the process of government formalities. Meanwhile, the developer of these properties has undertaken to our Company that the title certificates in respect of the Four Headquarters Properties would be obtained before 30 September 2018.

Non-Principal Operational Use will be obtained and delivered to our Company by 29 March 2019. There is no difficulty for the application for, or impossibility in the obtaining of, the title certificates for the 28 Properties for Non-Principal Operational Use.

Our PRC Legal Advisers are of the view that, based on the letters of undertaking issued by the property developers, our Company will experience no substantial legal impediment to obtain the building ownership certificates for these self-owned properties in accordance with the commodity property sale and purchase contracts and the supplementary contract, provided that our Company has fulfilled its obligations thereunder, including payment of the property purchase prices.

Leased properties

As at the Latest Practicable Date, our Group has leased 46 properties, including one shop (the “**Leased Shop**”) used as our staff canteen and a total of 45 properties of the seven management centres and one maintenance and emergency response centre (the “**45 Leased Properties**”), with an aggregate GFA of 27,083.76 sq.m..

Leased Shop

Our Company have entered into the lease agreement and supplemental lease agreement (collectively the “**Shop Lease Agreements**”) with the developer of the Leased Shop (with a GFA of 656.17 sq.m.). Our Company had submitted the registration and filing materials with the competent authorities. Nevertheless, the registration and filing process of the Shop Lease Agreements was not completed as at the Latest Practicable Date. The reason was that the developer was still undergoing the process of obtaining the building ownership certificate in respect of the Leased Shop.

As advised by our PRC Legal Advisers, our actual use of the Leased Shop prior to the due registration and filing of the Lease Agreements does not affect the validity of the Lease Agreements. Even if the developer has entered into various lease contracts in respect of the Leased Shop, under the circumstance where all contracts are valid and the developer wishes to perform the contracts, the developer shall first perform the Leased Agreements as we are the lessee legally entitled to occupy the Leased Shop. Nevertheless, according to the relevant PRC laws and regulations, we may be ordered by the competent authority to rectify the matter with a specified time limit, failing which we may be subject to a fine within the range of RMB1,000 to RMB10,000.

As at the Latest Practicable Date, we had not received any notice from the competent authority with respect to the potential administrative penalty or enforcement action as a result of the above matter. Further, the developer has undertaken to our Company that (i) it will strive to obtain the building ownership certificate in respect of the Leased Shop as soon as possible; (ii) cooperate with our Company in respect of the procedures for registration and filing of the Leased Agreement after completion of the process of obtaining the building ownership certificate; and (iii) bear all the legal risks arising from failure in due registration and filing of the Lease Agreements.

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Our Directors believe that the above leased properties are of safe condition and based on the above, the failure in due registration and filing of the Lease Agreements will not have a material and adverse impact on our business operations. No provision is required to be made in respect of such matter accordingly.

45 Leased Properties

As at the Latest Practicable Date, our Company has leased the 45 Leased Properties of the seven management centres and one maintenance and emergency response centre (with an aggregate GFA of 26,427.59 sq.m.) along the Jihe Expressway through entering into the Property Lease Agreement with Qilu Transportation. Qilu Transportation, as the lessor, has not obtained the building ownership certificates for these leased properties. Our PRC Legal Advisers are of the view that in the event of a challenge raised by a third party to the ownership or leasing right of these leased properties, which in turn affects our interests under the Property Lease Agreement, we are entitled to require compensations from the lessor for our loss so suffered in accordance with the relevant PRC laws, the Property Lease Agreement and the undertaking of Qilu Transportation under the Property Lease Agreement.

Our Directors believe that the above leased properties are of safe conditions, and that the title defects of such leased properties will not, jointly or severally, have a material and adverse impact on our business operations for the following reasons:

- (i) the leased properties are only ancillary facilities of the Jihe Expressway and mainly used by the staff of the management centres as offices and residence and for storage of maintenance and emergency tools, which are not crucial to the operation of our principal toll collection business;
- (ii) the leased properties are located at different districts/counties, and the possibility that all or majority of such properties are being disposed of simultaneously or that we may be required to vacate the leased properties is remote, and even if required to vacate as a result of the title defect of the leased properties or invalidation of the Property Lease Agreement, we believe that we are able to seek alternative premises or lease other similar properties in the vicinity as a replacement with minimal expenses in a timely manner to continue our business operations;
- (iii) the Directors are of the view that the rental costs of the leased properties will not be materially different should Qilu Transportation obtained the building ownership certificates; and
- (iv) Qilu Transportation has irrevocably undertaken in the Property Lease Agreement to us that, (a) in the event that our Company suffers any loss due to Qilu Transportation's failure in obtaining the building ownership certificate for these leased properties or other issues in relation to these leased properties, Qilu Transportation has agreed to fully indemnify our Company for all losses suffered as a result (including but not limited to any penalty imposed by the competent authority or claim from any third party) and bear all reasonable costs and expenses incurred as a result; and (b) in the event that our Company is required to

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relocate from all or part of these leased properties due to Qilu Transportation's failure in obtaining the ownership certificates for these leased properties, Qilu Transportation has undertaken to us that it will assist our Company on a best effort basis to relocate, provide properties of the same or similar conditions for us to use and bear all losses and reasonable costs and expenses incurred as a result of the relocation.

Significance of ancillary facility assets and the alternative supply

Service Facilities are mainly used for Petrochemical Refill and Product Sales and Service Area Operations including catering, vehicle parking, vehicle repair and supermarkets, which are neither the principal business of our Group nor essential to the principal business of our Group. Though Management Facilities are only ancillary facilities of the Jihe Expressway which are mainly used by the staff of our Group's management centers as offices and residence and for storage of maintenance and emergency tools during our Group's ordinary course of business, they cannot contribute to our Group's major source of revenue independently. Therefore, our Directors are of the view that the Service Facilities and Management Facilities are not crucial to the operations of our Group's principal toll collection business.

The properties of the Management Facilities are located at different districts/counties along the Jihe Expressway, and the possibility that all or majority of such properties are being disposed of simultaneously or that our Group may be required to vacate the leased properties is remote. Even if we are required to vacate from these leased properties, our Directors are of the view that it will not bring material impact to our Group's business operations and such impact may further be reduced by seeking alternative premises or leasing other similar properties in the vicinity as a replacement with minimal expenses in a timely manner.

Safeguards under the Property Lease Agreement and the Land Use Right Lease Agreement

According to the Land Use Right Lease Agreement, Qilu Transportation agreed to lease to us the land use rights in respect of the 29 parcels of lands of the Jihe Expressway for a term commencing from 1 January 2017 to 25 September 2034. As the certificate holder of the leased lands, Qilu Transportation obtained the immovable property right certificates for the leased lands stipulated in the Land Use Right Lease Agreement, and pursuant to such immovable property right certificates the term of use of the lands is from 30 June 2016 to 29 June 2066. According to the Land Use Right Lease Agreement, we shall have the right to use the leased lands during the term of the lease, and Qilu Transportation has no right to terminate or rescind the Land Use Right Lease Agreement unilaterally. Based on the above, our Directors are of the view that the Land Use Right Lease Agreement can ensure our Group's uninterrupted use of the leased lands.

According to the Property Lease Agreement, Qilu Transportation agreed to lease the 45 Leased Properties to us for a term commencing from 1 May 2017 to 25 September 2034. Under the Property Lease Agreement, Qilu Transportation has no right to terminate or rescind the agreement unilaterally. Furthermore, Qilu Transportation has irrevocably undertaken in the Property Lease Agreement to us that, if we are required to relocate from

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all or part of these leased properties or suffer any loss due to Qilu Transportation's failure in obtaining the building ownership certificates in respect of these leased properties or any other issues, Qilu Transportation shall provide comparable properties of the same or similar conditions for our Group and bear all losses and reasonable costs and expenses incurred as a result. Based on the above, our Directors are of the view that the Property Lease Agreement can ensure our Group's uninterrupted use of the leased properties for the remaining term of the Concession Agreement.

LICENSES AND APPROVALS

As advised by our PRC Legal Advisers, we have obtained all business licenses (營業執照) necessary for the operations of our principal business in China. Our exclusive right to construct, maintain, operate and manage the Jihe Expressway and our toll collection right during the Concession Period are derived from the Concession Agreement. Further, our toll collection right is confirmed by the Toll Approval.

As advised by our PRC Legal Advisers, in accordance with the business license of the Shunguang Culture Media, the Concession Agreement and the following non-highway sign post establishment permits, we were entitled to carry out the Advertisement Business during the Track Record Period and up to the Latest Practicable Date.

The following table sets out the details of the non-highway sign post establishment permits of Shunguang Culture Media as at the Latest Practicable Date:

<u>Permit</u>	<u>Permit holder</u>	<u>Issuing authority in the PRC</u>	<u>Date of latest grant</u>	<u>Expiry date</u>
Non-highway sign post establishment permit (in respect of 33 advertisement billboards (22 were constructed and 11 were under construction) along the Tai'an section of the Jihe Expressway)	Shunguang Culture Media	Tai'an Highway Bureau	5 July 2017	4 July 2022
Non-highway sign post establishment permit (in respect of 35 advertisement billboards (15 were constructed and 20 were under construction) along the Jining section of the Jihe Expressway)	Shunguang Culture Media	Jining Highway Administration Bureau	15 December 2017	14 December 2020

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<u>Permit</u>	<u>Permit holder</u>	<u>Issuing authority in the PRC</u>	<u>Date of latest grant</u>	<u>Expiry date</u>
Non-highway sign post establishment permit (in respect of 8 advertisement billboards (6 were constructed and 2 was under construction) along the Heze section of the Jihe Expressway)	Shunguang Culture Media	Heze Highway Administration Bureau	12 July 2017, 4 August 2017	11 July 2018, 3 August 2018

As at the Latest Practicable Date, Shunguang Culture Media held the non-highway sign post establishment permits for 76 billboards, pursuant to which it is allowed to build and operate such billboards. Among which, 43 billboards were built and commenced operation according to the sign post establishment permits. For the remaining 33 billboards which have been planned but not yet built (i.e. under construction), Shunguang Culture Media may proceed to build and operate such billboards pursuant to the aforesaid permits.

As confirmed by our Directors, as at the Latest Practicable Date, Shunguang Culture Media had nine billboards along the Jinan section of the Jihe Expressway under operation without the establishment permit. In addition, during the Track Record Period, Shunguang Culture Media commenced operation without the obtaining of the establishment permit in time due to reasons caused by the government authorities.

Nonetheless, the competent highway department and Shandong Highway Bureau have issued respective compliance certificates, confirming that Shunguang Culture Media has not committed any violation of laws, regulations, rules or normative documents in respect of its Advertisement Business and billboard operations, and has not been subject to any administrative penalty. The Jinan Highway Administration Bureau has further confirmed that it suspends the approval procedures for the issuance of the non-highway sign post establishment permit due to centralised arrangement of the government, and it will resume the procedures to issue the non-highway sign post establishment permit according to the centralised instruction of the senior departments as and when appropriate.

Our PRC Legal Advisers are of view that the absence of the establishment permits for nine billboards of Shunguang Culture Media violates the Measures for the Administration of Highway Sign Posts and Non-highway Sign Posts within the Highway Network of Shandong Province (《山东省公路系统公路标志和非公路标志管理办法》), which requires that non-highway sign posts shall obtain relevant permits in strict compliance with the prescribed procedures. However, due to the aforesaid, and the fact that (i) our Group derives its revenue mainly from the expressway toll collection and the revenue contribution from the Advertisement Business is minimal; and (ii) Shunguang Culture Media fails to obtain the establishment permits for such billboards due to the reasons caused by the government authorities, the possibility for us to be penalised by the competent authorities due to our failure in obtaining the establishment permits for some billboards prior to their commencement of operation during the Track Record Period as well as the non-compliance caused by the nine billboards which had commenced operation without obtaining the establishment permits as at the Latest Practicable Date was very low, and the maximum

penalty would be a fine of RMB200,000. Our Directors confirm that our Company will use its best efforts in maintaining communication with the competent authorities, and apply for the establishment permits for the nine billboards as soon as practicable when it is allowed to do so according to the centralised arrangement of the supervising government departments.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we have obtained the necessary business licenses and the Toll Approval that are required for our business operations in China. All of these business licenses and the Toll Approval remain in full effect, and no circumstances existed that would render the revocation or cancellation of our business licenses and the Toll Approval or have legal impediment to our business operations. Our PRC Legal Advisers are of the view that, there is no legal impediment to renew business licenses required for our business operations in China, as long as we comply with the relevant PRC laws and take all necessary steps and submit relevant applications in accordance with the requirements prescribed by the applicable PRC laws and regulations. In addition, our PRC Legal Advisers are of the view that, the absence of the establishment permits for nine billboards of Shunguang Culture Media will not constitute a substantial legal impediment to the Listing and the Global Offering.

LEGAL PROCEEDINGS, REGULATORY COMPLIANCE AND INTERNAL CONTROL

Legal Proceedings

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. Our Directors and our PRC Legal Advisers have confirmed that, as at the Latest Practicable Date, there is no material legal proceeding or arbitration pending or threatening against us or our Directors involving an amount over RMB10 million.

Non-compliance and Enhanced Internal Control Measures

Save for the non-compliance incidents disclosed below which we do not consider to be material or systemic, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects. Upon identification of the non-compliance incidents disclosed below, we have taken steps to enhance our internal control measures to prevent reoccurrence of such non-compliance incidents. In relation to such non-compliances, our internal control consultant has reviewed and provided recommendations on our internal control system for preventing recurrences of such incidents.

In July 2015, the Investigation Division of the Tax Bureau of Jinan City (濟南市地方稅務局稽查局) (“**Investigation Division**”) issued a letter of administrative penalty decision (行政處罰決定書) to our Company in relation to our failure to declare and pay for business tax in respect of road clearance and rescue service income of the expressway and city maintenance and construction tax and our failure to withhold personal income tax for the years ended 31 December 2012, 2013 and 2014. In accordance with the decision, the Investigation Division imposed a fine equivalent to 50% of the unpaid amount of tax in

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respect of the undeclared business tax and city maintenance and construction tax, and a fine equivalent to 50% of the personal income tax that should have been withheld, which amounted to RMB33,357.40 in total. The reason was that our Company paid business tax at a rate of 3% in respect of road clearance and rescue service income of the expressway in the respective years. However, we should be subject to a tax rate of 5% instead based on the classification of such services. This was due to the misunderstanding between the financial officers of our Company and the competent authority. The Investigation Division has also requested our Company to repay the shortfall of 2% business tax together with city maintenance and construction tax above our Company has paid up the above shortfalls and fees and settled the relevant fines in full. Our Company has further implemented effective rectification measures in accordance with the requirement of the Investigation Division and has strengthened our attention and confirmation in respect of the requirements in relation to deduction of benefits in kind, and these efforts had been recognised by the competent authority.

We have improved our internal control measures to prevent the reoccurrence of any similar incidents. Our Company formally issued the Tax Management Policy (《稅務管理制度》) in August 2017 specifying the functions, authorities and responsibilities of our financial management department in respect of tax management with explicit stipulations of tax payment reporting and management procedures. Under such policy the financial officers of our Company are required to declare tax in person or via the internet to the local tax bureau (office) and make timely payment within the period prescribed by the tax bureau (office), subject to the decision of the tax bureau (office) in case of any changes of the duration of such period. When making tax declaration, the financial officers shall duly fill in a tax declaration form and, as requested by the tax authority, submit the tax declaration form together with financial statements and other information required by the tax authority. In addition, when preparing the monthly financial statements, the financial supervisors of our Company shall examine the tax payments for the month to ensure if the amounts of provision for and payment of tax are consistent and check whether there is any omission of payment. The monthly financial statements shall be reviewed and endorsed by the manager of our financial management department, our chief financial officer and our general manager.

Our Directors are of the view that the adoption of the Tax Management Policy in August 2017 can prevent the recurrence of the historical tax non-compliances (including the provision of business tax at an inappropriate rate and the failure to withhold personal income tax) for the following reasons:

- (i) during the initial period of the occurrence of the tax non-compliance matter, preliminary communications on tax-related matters with the local tax bureau was conducted by the junior staff of our financial management department. Nevertheless, due to the lack of experience in tax-related matters and incomprehensive knowledge as to tax policies and professional knowledge, our staff was unable to provide further explanation and confirmation as to the tax rate provided by the staff at the tax bureau without reasonable explanation; and

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- (ii) our Company has currently formulated and improved its Tax Management Policy and implemented the following control measures in practice:
 - (a) our staff in charge of tax matters shall have professional tax knowledge and rich practice experience;
 - (b) designated personnel within our financial management department of our Company shall regularly obtain information as to changes of tax policies from the tax authorities and their official websites, maintain record of the tax policy checking and report the tax policy changes with the supervisors and managers of our financial management department;
 - (c) our Company has established a two-step audit mechanism for tax accrual and payment. The supervisors in our financial management department shall review whether the tax accrual and payment were made in accordance with the current tax policy requirements. The supervisors in our financial management department shall review the tax payment when preparing the monthly financial statements, confirm whether the amount accrued and paid were consistent and identify any missed tax payment. The monthly financial statements shall be approved by the manager of our financial management department, our chief financial officer and our general manager; and
 - (d) our financial management department organises regular financial and tax trainings for our finance staff each year to improve their knowledge and experience in the application of financial and tax policies in practice and enhance their technical skills and professional competence.

In addition, due to reasons caused by the government authorities, we commenced operations on certain advertisement billboards along the Jihe Expressway without obtaining the non-highway sign post establishment permits in time during the Track Record Period and we had commenced operations on nine advertisement billboards commenced operation without the non-highway sign post establishment permits as at the Latest Practicable Date. For details, please refer to the sub-section headed “Licenses and Approvals” in this section of the prospectus. We have improved our internal control measures to prevent the reoccurrence of similar incidents as follows:

- (i) upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our compliance officer, Mr. Li Gang, will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;
- (ii) all management and staff of our Group will be required to report to and/or notify our Directors, our compliance officer or our legal advisers promptly of any events which are subject of any possible violations that may be subject to the various regulatory requirements;

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- (iii) we will timely seek advice from our external PRC legal advisers when necessary to ensure the compliance with the relevant PRC laws, rules and regulations; and
- (iv) since January 2018, before the establishment and operation of each advertisement billboard under our Advertisement Business, prior written approvals shall be obtained from either our executive Director or our compliance officer.

Our Directors confirm that our Group will not commence the operation of new advertisement billboards without obtaining the non-highway sign post establishment permits after Listing.

Based on the due diligence conducted by the Joint Sponsors (including discussion with us and our internal control consultant and review of documents and reports in relation to our internal control), the Joint Sponsors are of the view that we have reasonable internal procedures, system and control in place to minimise non-compliance incidents. The Joint Sponsors are not aware of any matters that may cause any of our Directors not suitable to be a director of a listed company according to Rules 3.08 and 3.09 of the Listing Rules or our Company to be not suitable for Listing according to Rule 8.04 of the Listing Rules.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Following the Global Offering (regardless of whether the Over-allotment Option is exercised), our Controlling Shareholders will hold no less than 10% of the issued share capital of our Company, and will continue to be the Substantial Shareholders of our Company as defined under the Hong Kong Listing Rules. According to Rules 14A.07(1) and (4) of the Hong Kong Listing Rules, our Substantial Shareholders and their respective associates shall constitute connected persons of our Company.

Accordingly, the continuing transactions between (i) our Group and (ii) our Controlling Shareholders and/or their respective associates following the listing of our H Shares on the Hong Kong Stock Exchange shall constitute continuing connected transactions of our Company under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

Our Company has entered into certain agreements with our Controlling Shareholders, including the Trademark License Agreement, the General Services Framework Agreement, the Property Lease Agreement and the Land Use Right Lease Agreement. Upon Listing the transactions contemplated under these agreements shall constitute continuing connected transactions as defined under the Hong Kong Listing Rules.

The following table sets out the summary of our continuing connected transactions upon Listing:

Nature of transaction	Waiver application	Proposed annual cap for the years ending 31 December		
		2018	2019	2020
Fully exempt continuing connected transactions under Rule 14A.76(1) of the Hong Kong Listing Rules				
(1) Trademark License Agreement	N/A	Nil	Nil	Nil
(2) General Services Framework Agreement	N/A	HK\$2.8 million	HK\$2.8 million	HK\$2.8 million
Nature of transaction	Waiver application	Proposed annual cap for each of the year ending 2018–2033		Proposed annual cap for the period from 1 January 2034 to 25 September 2034
Partially exempt continuing connected transactions under Rule 14A.76(2) of the Hong Kong Listing Rules				
(1) Land Use Right Lease Agreement	Exempt from the announcement requirement	RMB2,310 million ⁽¹⁾		RMB1,686 million
(2) Property Lease Agreement	Exempt from the announcement requirement	RMB450,000.0 ⁽²⁾		RMB450,000.0

Notes:

⁽¹⁾ The amount payable to Qilu Transportation under the Land Use Right Lease Agreement for the year ending 31 December 2018 has been paid in March 2018.

⁽²⁾ The amount payable to Qilu Transportation under the Property Lease Agreement for the year ending 31 December 2018 has been paid in March 2018.

CONNECTED TRANSACTIONS

Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules

(1) Trademark License Agreement

Principal terms:

Our Company entered into the Trademark License Agreement with Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to grant a license to our Group to use the trademarks as set out in the sub-section headed “4. Further Information about Our Business — B. Our Intellectual Property Rights — (a) Trademarks” in Appendix VIII to this prospectus for nil consideration. The initial term of the trademark license shall be three years commencing from the date of the agreement. The Trademark License Agreement shall automatically be renewed for a term of three years upon serving of written notice to Qilu Transportation by our Company one month prior to its expiry, subject to relevant laws, regulations, applicable securities listing rules and requirements of the regulatory authorities. The above principle shall apply to future renewal.

Reasons for the transaction:

Our Company has been using these trademarks upon our conversion into a joint stock company with limited liability (for details, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Conversion into a joint stock company” in this prospectus). As such, in order to maintain the consistency of our market image and continue to use the trademarks as a tool to develop corporate culture, we will continue to use such trademarks following the completion of the Global Offering.

Historical amounts:

The transaction amounts for the three years ended 31 December 2017 were nil, nil and nil, respectively.

Implications of the Hong Kong Listing Rules:

As the Trademark License Agreement was entered into during the ordinary and usual course of our business and on normal commercial terms, our Directors (including our independent non-executive Directors) are of the view that the Trademark License Agreement and the transactions contemplated thereunder are fair and reasonable as far as the independent Shareholders are concerned and are in the interests of our Group and our Shareholders as a whole.

Since the trademark license is granted for nil consideration and we are not required to pay any license fee to Qilu Transportation, each of the percentage ratios (other than the profits ratio) under Rule 14.07 of the Hong Kong Listing Rules applicable to the transaction contemplated under the Trademark License Agreement is less than 0.1%. By virtue of Rule 14A.76(1) of the Hong Kong Listing Rules, the

CONNECTED TRANSACTIONS

transaction contemplated under the Trademark License Agreement constitutes a fully exempt continuing connected transaction which is exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) *General Services Framework Agreement*

Principal terms:

Our Company entered into the General Services Framework Agreement with Qilu Transportation on 12 December 2017. As a framework agreement, the General Services Framework Agreement sets out the scope of business operation, the transaction principles, the standard for formulating annual service plans and the pricing terms and policies of services provided under the General Services Framework Agreement in relation to the highway business. The term of General Services Framework Agreement shall commence from the Listing Date until the end of the second full financial year thereafter (i.e. 31 December 2020), which is renewable upon written agreement between both parties subject to the relevant requirements of the Hong Kong Listing Rules. Relevant entities of both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the General Services Framework Agreement.

Pursuant to the General Services Framework Agreement, Qilu Transportation and its subsidiaries and associates (“**Qilu Transportation and its relevant Subordinated Entities**”) will provide our Group with certain services in relation to highway business operation, including (i) highway design services including planning, renovation, engineering, survey and system design of flyovers, road surfaces, highways and ancillary facilities; (ii) highway inspection and maintenance services including regular inspections of roadbed and road surface, regular and ad-hoc inspections of bridges and tunnels as well as maintenance and repair of flyovers and road surfaces; (iii) highway research and analysis services including survey and analysis of road sections, research on the treatment measures and techniques, projection of and research on the traffic flow and toll income; and (iv) highway construction supporting services including monitoring of highway technologies, project supervision, project contracting, supply of bulk materials and other related or similar services.

Demand estimation:

Other than public bidding, our Group shall submit an estimation of its demand for services for the next year or any adjustment plan on service projects for the current year to Qilu Transportation by 31 October of each year. Both parties shall also reach a consensus on the plan before 30 November of the same year. In the event that the service demand plan for the next year is more or less the same as that of the current year, Qilu Transportation shall fulfill the plan.

CONNECTED TRANSACTIONS

Pricing policies:

The pricing of each of the services provided under the General Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) **government-prescribed price:** where the central or local government imposes price control on a particular service at any time within the agreement period of the General Services Framework Agreement, the price of such service shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) **government-guided price:** where the central or local government guided price standard is available for a particular service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such service shall be determined within the range of the government-guided price through negotiation;
- (iii) **market price:** where the above two price standards are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. In determining the market price, both parties shall take into consideration the following key factors:
 - (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and
 - (b) the same or similar service provided by Qilu Transportation and its relevant Subordinated Entities to any third party, and the minimum quotation for such service.

CONNECTED TRANSACTIONS

Reasons for the transactions:

Qilu Transportation and its relevant Subordinated Entities have been providing highway design and supervision services to our Group in order to build up the business chain and promote the sustainable development of Shandong Provincial roads. The reasons for the transactions carried out between us and Qilu Transportation and its relevant Subordinated Entities are: (i) members of our Group have established business relationships with Qilu Transportation and its relevant Subordinated Entities; (ii) the relevant service suppliers have the expertise in their respective fields and may possess licenses and/or experienced and skilled technical staff necessary for carrying out professional business; (iii) our Group will benefit from economy of scale due to the professional technical support from Qilu Transportation and its relevant Subordinated Entities which are devoted to providing services in relation to highway operation business and the use of such services will be more cost effective; (iv) for certain sophisticated technical support and repair and maintenance services, the existing arrangements with Qilu Transportation and its relevant Subordinated Entities will save cost when compared with the procurement of similar technical support and services from domestic and overseas service providers; and (v) the services provided to us by Qilu Transportation and its relevant Subordinated Entities have been on no less favourable terms as compared with the services provided by Independent Third Parties, taking into account the service quality, price, understanding of the business needs and operational requirements of our Group, familiarity with the projects of our Group and value-added contributions that could be offered, and these services are in compliance with the applicable industry requirements of road safety and maintenance in general.

Historical amounts:

The amount of the above mentioned general services provided by Qilu Transportation and its relevant Subordinated Entities to our Group for the three years ended 31 December 2017 were RMB2.5 million, RMB0.5 million and RMB0.5 million, respectively (equivalent to HK\$3.0 million, HK\$0.6 million and HK\$0.6 million, respectively).

CONNECTED TRANSACTIONS

Annual caps:

The maximum annual caps incurred for the provision of general services by Qilu Transportation and its relevant Subordinated Entities to our Group for each of the three years ending 31 December 2018, 2019 and 2020 shall not exceed the amount set out below:

	Proposed annual caps for the year ending 31 December		
	2018	2019	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Total fees.	<u>2.8</u>	<u>2.8</u>	<u>2.8</u>

(equivalent to RMB2.3 million)

Basis of the Annual Caps

In determining the above annual caps, our Company has considered the following factors: (i) the historical transaction amounts incurred for the provision of highway design and supervision services to our Group by Qilu Transportation and its relevant Subordinated Entities; (ii) nature and amounts of the services involved in the specific contracts entered into between the members of our Group and Qilu Transportation and its relevant Subordinated Entities; (iii) the expected increase in demands of our Group and Qilu Transportation and its relevant Subordinated Entities for these services due to the business growth and expansion of our Group; and (iv) the estimated increase in the price of these services due to the expected rising costs of labour, raw materials and technology.

In 2015, in line with the 2015 Inspection Programme Regarding Maintenance and Management of National Highways (2015年全國幹線公路養護管理檢查), our Company conducted intermediate maintenance and repair works along the Jihe Expressway. A subsidiary of Qilu Transportation was appointed to carry out the design works of the intermediate maintenance and repair work, the transaction amount of which was RMB1.6 million. In the same year, our Company and Qilu Transportation entered into an agreement in relation to the reconstruction project design and supervision of toll stations with an aggregate transaction amount of RMB0.9 million, pursuant to which facilities such as the ETC system and the ETC toll lanes were installed at the Xiaoli and South Pingyin toll stations along the Jihe Expressway.

CONNECTED TRANSACTIONS

As our Company has implemented preventive maintenance measures, we are able to maintain road conditions at a quality status. Therefore, our Directors are of the view that no substantial repair works will be required for the Jihe Expressway between 2018 and 2020. In the future, our Company will maintain our preventive maintenance policy and carry out relevant maintenance works based on road conditions.

In addition, the ETC coverage of the toll stations along the Jihe Expressway has reached 100% at present and relevant establishment of the ETC system has been completed. In view of the above, our Directors are of the view that relevant general services provided by Qilu Transportation and its relevant Subordinated Entities in 2015 were not recurring transactions. Meanwhile, the historical transaction amounts of the relevant general services in both 2016 and 2017 were lower than that in 2015.

Based on the above reasons, our Directors are of the view that the annual cap of HK\$2.8 million (equivalent to RMB2.3 million) set to cope with the expected demand for relevant general services are fair and reasonable.

Implications of the Hong Kong Listing Rules:

As the General Services Framework Agreement was entered into during the ordinary and usual course of our business and on normal commercial terms, our Directors (including our independent non-executive Directors) are of the view that the General Services Framework Agreement and the transactions contemplated thereunder as well as the proposed annual caps as set out above are fair and reasonable as far as the independent Shareholders are concerned and are in the interests of our Group and the Shareholders as a whole.

For the purpose of Rule 14.07 of the Hong Kong Listing Rules, the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the General Services Framework Agreement are more than 0.1% but less than 5% and the proposed annual caps are all less than HK\$3 million. Therefore, by virtue of Rule 14A.76(1) of the Hong Kong Listing Rules, the transactions contemplated under the General Services Framework Agreement constitute fully exempt continuing connected transactions which are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules

(1) *Land Use Right Lease Agreement*

Principal terms:

Our Company and Qilu Transportation entered into the Land Use Right Lease Agreement on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to our 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, our 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. Our 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 our Company to Qilu Transportation in 17 instalments from 2018 to 2034. Our 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.

Reasons for transaction:

As stated in the sub-section headed “Business — Land Use Rights and Property Interests — Land Use Rights” in this prospectus, in accordance with the Approvals on Capital Injection, the land use rights of the state-owned allocated land of the Jihe Expressway was injected into Qilu Transportation by the Shandong Provincial Government by way of capital injection. On 11 December 2017, Qilu Transportation completed the formalities in relation to the change of land use right certificates for the lands of the Jihe Expressway upon the Capital Injection according to the Approvals on Capital Injection, and obtained the immovable property right certificate for the lands of the Jihe Expressway, with a term of use effective from 30 June 2016. Our PRC Legal Advisers have confirmed that, Qilu Transportation, as the certificate holder of the lands of the Jihe Expressway, shall have the right to lease us the land use right of the lands of the Jihe Expressway from 1 January 2017. Our Directors are of the view that the entering of the Land Use Right Lease Agreement between our Company and Qilu Transportation can ensure our exclusive and unrestricted right to use the lands of the Jihe Expressway during the remaining term of the Concession Period and the smooth and stable operation thereof, which is in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

The agreement period shall exceed three years:

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement shall not exceed three years unless under special circumstances that a longer agreement period is required due to the nature of the transaction. Our Directors consider that the Land Use Right Lease Agreement is required to have a term of over three years, which shall be approximately 17.8 years (i.e. until 25 September 2034, the expiry date of the Concession Period), for the following reasons:

- (i) our Company has been granted the exclusive Concession Rights with a term of 30 years under the Concession Agreement in 2004, pursuant to which our Company has the right to construct, maintain, operate and manage the Jihe Expressway. The Land Use Right Lease Agreement with a term of approximately 17.8 years ensures the stable operation of our Company if it obtains the land use rights of the lands of Jihe Expressway during the remaining Concession Period;
- (ii) as our Company is principally engaged in the operation and management of the Jihe Expressway, the obtaining of right to use the lands of the Jihe Expressway in accordance with the Land Use Right Lease Agreement is crucial to the business of our Company. Losing the land use rights of the Leased Lands under the Land Use Right Lease Agreement may impose material and adverse impacts on the business of our Company;
- (iii) the term of the Land Use Right Lease Agreement reflects the nature and features of the long-term operation of the expressway under the Concession Agreement;
- (iv) taking into account the nature of the land use rights in respect of the lands of the Jihe Expressway, the business and operational needs of our Company and the possible impediments to the business management and operation of our Company, strict compliance with the three-year period requirement in respect of the Land Use Right Lease Agreement will impose undue burdens on our Group and will be against the interests of our Group and our Shareholders as a whole; and
- (v) the long-term lease arrangement under the Land Use Right Lease Agreement can ensure the continuing management and operation of the Jihe Expressway by minimising the risk of interruption due to the renewal of existing terms and conditions of the Land Use Right Lease Agreement (which in case of renewal, business of our Company and the interests of our Shareholders may be subject to substantial uncertainty), which in turn protects and is in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Based on the above, our Directors are of the view, and the Joint Sponsors concur, that the term of the Land Use Right Lease Agreement of approximately 17.8 years which ends on 25 September 2034 (i.e. the expiry date of the Concession Period) is a normal business practice for agreements of this type to be of such duration.

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.

Historical amounts:

Up to the Latest Practicable Date, the rent paid by our Company to Qilu Transportation in respect of the land use rights of the land of the Jihe Expressway for the three years ended 31 December 2017 were nil, nil and RMB2.310 million, respectively.

CONNECTED TRANSACTIONS

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
	<i>(RMB million)</i>
2018	2.310 ^(Note)
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

Note: 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.

Basis of the Annual Caps:

The above proposed annual caps are determined based on the pricing policies set out above. An independent valuer has conducted valuation of the fair rent of the Leased Lands, and confirms that the total rent of the land sites under the Land Use Right Lease Agreement is no less favourable to our Company than that payable by an independent third party.

CONNECTED TRANSACTIONS

Implications of the Listing Rules:

As the Land Use Right Lease Agreement is entered into during the ordinary and usual course of our business operation on normal commercial terms or better, our Directors (including independent non-executive Directors) are of the view that the Land Use Right Lease Agreement and the transactions contemplated thereunder as well as the proposed annual caps mentioned above are fair and reasonable as far as the independent Shareholders are concerned and in the interests of our Group and our Shareholders as a whole.

Pursuant to Rules 14A.81 and 14A.82 of the Hong Kong Listing Rules, the transactions under the Land Use Right Lease Agreement and the Property Lease Agreement shall be aggregated. For the purpose of Rule 14.07 of the Hong Kong Listing Rules, the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Land Use Right Lease Agreement and the Property Lease Agreement (on an aggregate basis) are more than 0.1% but less than 5% but the proposed annual caps (on an aggregate basis) are more than HK\$3 million, the transactions contemplated under the Land Use Right Lease Agreement constitute partially exempt continuing connected transactions which are exempt from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

(2) Property Lease Agreement

Principal terms:

Our Company and Qilu Transportation entered into the Property Lease Agreement on 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 our 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. Our 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 our Company to Qilu Transportation in 17 equal instalments of RMB0.45 million each by 31 March from 2018 to 2034.

Reasons for transaction:

As stated in the sub-section headed “History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring” in this prospectus, in order to streamline our corporate structure for the purpose of Listing and to enable us to focus on the core business along the main line of Jihe Expressway, and in accordance with the Approval in relation to the Asset Restructuring of Ancillary Facilities of Shandong Jihe Expressway Company Limited (Lu Jiao Cai [2016] No. 80)

CONNECTED TRANSACTIONS

(關於山東濟荷高速公路有限公司附屬設施等資產重組的批覆(魯交財[2016]80號)), our Company has transferred the relevant ancillary facility assets along the Jihe Expressway to Qilu Transportation. However, as the 45 Leased Properties are used by the staff of the management centres as offices and residence and for the storage of maintenance and emergency tools during our ordinary course of business, our Company has entered into the Property Lease Agreement with Qilu Transportation to ensure that it has the exclusive and unrestricted right to use the 45 Leased Properties during the remaining term of the Concession Period and the smooth and stable operation thereof, which is in the interests of our Group and our Shareholders as a whole.

The agreement period shall exceed three years:

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, the term of an agreement shall not exceed three years unless under special circumstances that a longer agreement period is required due to the nature of the transaction. Our Directors consider that the Property Lease Agreement is required to have a term of over three years, which shall be approximately 17.4 years (i.e. until 25 September 2034, the expiry date of the Concession Period), for the following reasons:

- (i) our Company was granted the exclusive Concession Rights with a term of 30 years under the Concession Agreement in 2004, pursuant to which our Company has the right to construct, maintain, operate and manage the Jihe Expressway. The Property Lease Agreement with a term of approximately 17.4 years ensures the stable operation of our Company if it is able to use the 45 Leased Properties during the remaining Concession Period;
- (ii) all the properties used as the management centres are located at the entry and exit points along the Jihe Expressway whereas the maintenance and emergency response centre is located at the mid-point of the Jihe Expressway. The 45 Leased Properties are ancillary facilities of the Jihe Expressway mainly used by the staff of the management centres as offices and residence and for the storage of maintenance and emergency tools, which satisfy the needs of the administration, maintenance, operation and management of the Jihe Expressway;
- (iii) the term of the Property Lease Agreement reflects the nature and features of the long-term operation of the expressway under the Concession Agreement;
- (iv) taking into account the nature of the 45 Leased Properties, the business and operational needs of our Company and the possible impediments to the business management and operation of our Company, strict compliance with the three-year period requirement in respect of the Property Lease Agreement will impose undue burdens on our Group and will be against the interests of our Group and our Shareholders as a whole; and

CONNECTED TRANSACTIONS

- (v) the long-term lease arrangement under the Property Lease Agreement can ensure the continuing operation and management of the Jihe Expressway by minimising the risk of interruption due to the renewal of existing terms and conditions of the Property Lease Agreement (which in case of renewal, the business of our Company and the interests of our Shareholders may be subject to substantial uncertainty), which in turn protects and is in the interests of our Group and our Shareholders as a whole.

Based on the above, our Directors are of view, and the Joint Sponsors concur, that the term of the Property Lease Agreement of approximately 17.4 years which ends on 25 September 2034 (i.e. the expiry date of the Concession Period) is a normal business practice for agreements of this type to be of such duration.

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.

Historical amounts:

Up to the Latest Practicable Date, the rent paid by our Company to Qilu Transportation in respect of the 45 Leased Properties for the three years ended 31 December 2017 were nil, nil and RMB58.0 million, respectively.

CONNECTED TRANSACTIONS

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
	<i>(RMB)</i>
2018	450,000.0 ^(Note)
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

Note: 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.

Basis of the Annual Caps:

The above proposed annual caps are determined based on the pricing policies set out above. An independent valuer has conducted valuation of the fair rent of the 45 Leased Properties, and confirms that the rent under the Property Lease Agreement is fair and reasonable and consistent with prevailing market rates for similar premises in similar locations in the PRC as at the date of commencement of the tenancy under the Property Lease Agreement.

CONNECTED TRANSACTIONS

Implications of the Listing Rules:

As the Property Lease Agreement is entered into during the ordinary and usual course of our business and on normal commercial terms or better, our Directors (including the independent non-executive Directors) are of the view that the Property Lease Agreement and the transactions contemplated thereunder as well as the proposed annual caps as set out above are fair and reasonable as far as the independent Shareholders are concerned and are in the interests of our Group and our Shareholders as a whole.

Pursuant to Rules 14A.81 to 14A.83 of the Hong Kong Listing Rules, the transactions under the Property Lease Agreement and the Land Use Right Lease Agreement shall be aggregated. For the purpose of Rule 14.07 of the Hong Kong Listing Rules, the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Property Lease Agreement and the Land Use Right Lease Agreement (on an aggregate basis) are more than 0.1% but less than 5% but the proposed annual caps (on an aggregate basis) are more than HK\$3 million, the transactions contemplated under the Property Lease Agreement constitute partially exempt continuing connected transactions which are exempt from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

As the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Hong Kong Listing Rules in respect of the transactions contemplated under the Land Use Right Lease Agreement and the Property Lease Agreement (on an aggregate basis) are more than 0.1% but less than 5%, the transaction contemplated under the Land Use Right Lease Agreement and the Property Lease Agreement shall be exempt from the circular and independent shareholders' approval requirements, but shall be subject to the reporting, annual review and announcement requirements. As the above continuing connected transaction is expected to continue on a recurring and continuing basis, our Directors (including independent non-executive Directors) consider that compliance with the above announcement requirement during the agreement period of each of the Land Use Right Lease Agreement and the Property Lease Agreement will be impractical, and will create unnecessary administrative costs and place undue burdens on us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules, pursuant to which our Company shall be exempt from the announcement requirement under the Land Use Right Lease Agreement and the Property Lease Agreement.

In addition, we confirm that we will comply with Rules 14A.34, 14A.51 to 14A.59 (including the requirement of Rule 14A.52 when the nature of the transactions under the Land Use Right Lease Agreement and the Property Lease Agreement require the period of such agreements to exceed three years) and Rule 14A.71(6) of the Hong Kong Listing Rules in respect of the continuing connected transaction contemplated under the Land Use Right Lease Agreement and the Property Lease Agreement.

CONNECTED TRANSACTIONS

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as at the Latest Practicable Date on the continuing connected transactions as set out in this prospectus, our Company will forthwith adopt measures to ensure compliance with such new requirements within a reasonable period of time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the above continuing connected transactions, which have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholder as a whole. They are also of the view that the proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the continuing connected transaction set out in the sub-section headed “Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules” in this section of the prospectus, and have also discussed such transactions with us and obtained various statements from us. Based on the aforementioned due diligence effort, the Joint Sponsors are of the view that such continuing connected transactions, which have been entered into on normal commercial terms or better, are fair and reasonable and in the interests of our Shareholder as a whole and have been and will be entered into in the ordinary and usual course of business of our Group. The Joint Sponsors are also of the view that the above annual caps for such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors are of the view that, based on the due diligence effort above and the following reasons, a term exceeding three years is required for each of the Land Use Right Lease Agreement and the Property Lease Agreement.

For a term exceeding three years for the Land Use Right Lease Agreement, as our Company has been granted the Exclusive Concession Rights with a term of 30 years until 25 September 2034 (i.e. the expiry date of the Concession Period) under the Concession Agreement, the leasing of the land use rights for the lands of the Jihe Expressway to our Company under the Land Use Right Lease Agreement is essential to our business operation as it may significantly and effectively reduce the risks in relation to potential material and adverse effects on our business operations as a result of the loss of the right to use the land of the Jihe Expressway.

The Joint Sponsors are of the view that it is a normal business practice of the expressway industry for the Land Use Right Lease Agreement to be of such a long-term duration as it reflects the nature of the long-term operation of the expressway under the Concession Agreement.

CONNECTED TRANSACTIONS

For a term exceeding three years for the Property Lease Agreement, given that (i) our Company has been granted the exclusive Concession Rights with a term of 30 years until 25 September 2034 (i.e. the expiry date of the Concession Period) under the Concession Agreement, and (ii) the properties used as the management centres are located at the entries and exits along Jihe Expressway and the maintenance and emergency response centre is located at the mid-point of the Jihe Expressway, although the loss of the rights to use the 45 Leased Properties will not have a material impact on the traffic flow and toll collection of the Jihe Expressway, the 45 Leased Properties satisfy the needs of administration, maintenance, operation and management of the Jihe Expressway. The granting of the rights to use the 45 Leased Properties to our Company under the Property Lease Agreement will facilitate the effective operation of our business and reduce the risks in relation to potential adverse effects on our business operations due to the incapability of using the 45 Leased Properties.

The Joint Sponsors are of the view that it is a normal business practice of the expressway industry for the Property Lease Agreement to be of such a long-term duration as it reflects the nature of the long-term operation of the expressway under the Concession Agreement.

OVERVIEW

Qilu Transportation

As at the Latest Practicable Date, Qilu Transportation held 51.90% of our issued share capital. Immediately upon completion of the Global Offering, Qilu Transportation will hold 38.93% (assuming the Over-allotment Option is not exercised), or 37.52% (assuming the Over-allotment Option is fully exercised), of the then issued share capital of our Company. As a result, Qilu Transportation is expected to remain as our Controlling Shareholder upon Listing.

COSCO SHIPPING (Hong Kong)⁽¹⁾

As at the Latest Practicable Date, COSCO SHIPPING (Hong Kong) held 40.00% of our issued share capital. Immediately following the completion of the Global Offering, COSCO SHIPPING (Hong Kong) will hold 30.00% (assuming the Over-allotment Option is not exercised), or 28.92% (assuming the Over-allotment Option is fully exercised), of the then issued share capital of our Company. As a result, COSCO SHIPPING (Hong Kong) is expected to remain as our Controlling Shareholder upon Listing assuming the Over-allotment Option is not exercised.

For further details of Qilu Transportation and COSCO SHIPPING (Hong Kong), please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Promoters” in this prospectus and the sub-sections headed “Principal Business of Qilu Transportation” and “Principal Business of COSCO SHIPPING (Hong Kong)” in the sub-section headed “Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong)” in this section of the prospectus.

DELINEATION OF BUSINESS BETWEEN OUR GROUP AND EACH OF QILU TRANSPORTATION AND COSCO SHIPPING (HONG KONG)

Principal businesses of our Group

The principal businesses of our Group consist of the Expressway Business and Advertisement Business.

Note:

⁽¹⁾ As at the Latest Practicable Date, COSCO SHIPPING, through its wholly-owned subsidiary, COSCO, which in turn through its wholly-owned subsidiary, COSCO SHIPPING (Hong Kong), was indirectly interested in 40.00% of our issued share capital. Immediately following the completion of the Global Offering, COSCO SHIPPING and COSCO will be indirectly interested in 30.00% (assuming the Over-allotment Option is not exercised), or 28.92% (assuming the Over-allotment Option is fully exercised), of our then issued share capital. As a result, COSCO SHIPPING and COSCO is expected to remain as our Controlling Shareholders upon Listing, assuming the Over-allotment Option is not exercised.

Principal business of Qilu Transportation

Qilu Transportation is a limited company incorporated in the PRC on 30 June 2015, with a registered capital of RMB22,690.6 million as at the Latest Practicable Date. Pursuant to the Approval Regarding Qilu Transportation Establishment, Qilu Transportation was a provincial-level functional investment and operation corporation of State-owned capital. Its major objectives are to operate and manage the expressways within its jurisdiction, carry out the construction of major transportation projects assigned by the Shandong Provincial Government, and revitalise, integrate, operate and manage the authorised non-expressway transportation assets. It is an investment and financing platform for the transportation industry development of the Shandong Provincial Government and the investment and financing entity of major transportation projects in Shandong Province. For details of the detailed scope of business of Qilu Transportation, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Promoters” in this prospectus.

The Jihe Expressway project has the general characteristics of the expressway industry

The expressways of each network are strategically designed as integral parts of the network. The expressways can interact, facilitate and collaborate with each other, so as to promote the regional transportation and economic connection. In addition, the expressway industry is of a concessionary nature with the following distinctive characteristics as compared to other commodity manufacturing and circulation industries:

- (i) **uniqueness:** in planning expressway networks, each route shall have its own start and end points and no routes with similar functions will be built unless the existing one is overloaded. In general, there are no expressways with the same or highly similar start and end points (except for duplicate routes).
- (ii) **scale effect:** only when an expressway network reaches certain scale, will the coverage of the expressway network be extended to effectively connect major residential and industrial centres and maximise the utilisation of the expressways.
- (iii) **universal standards:** the toll collection mechanism, determination of toll rates⁽¹⁾ and services of expressways in Shandong Province are stipulated and unified by the competent authorities of Shandong Province.

Note:

⁽¹⁾ The same toll rates apply to all the expressways (save grand bridges and tunnels) in Shandong Province, including but not limited to the Jihe Expressway and the 47 expressways held, directly and indirectly, by Qilu Transportation as set out in the sub-section headed “The Interests of Qilu Transportation in Highways” in this sub-section of this prospectus. Such toll rates are promulgated by the Shandong Transport Department, the Shandong Provincial Price Bureau and the Shandong Provincial Finance Department as set out in the Notice on Regulating Relevant Matters of Toll Rates. For details, please refer to the sub-section headed “Business — Expressway Operations — Toll Rates” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

According to the Traffic Consultant, the following three criteria could be considered to judge whether a route is competitive with another expressway:

- (i) **Geographical Region:** an expressway is a local infrastructure facility which mainly serves the production and daily lives of the specific regions located on both sides of the expressway, and has the characteristics of locality.
- (ii) **Direction:** An expressway is a channel connecting the areas which it passes along and has specific directions.
- (iii) **Efficiency:** An expressway is a “point to point” facility with clear destination. Efficiency is generally the first priority for users and the road with the shortest distance or the fastest route is usually the first choice when the traffic costs are the same or similar. Making a detour to the same destination may result in higher time costs and lower efficiency as it is not the shortest driving distance or the fastest route for the benefit of drivers.

As a result of the above, an expressway may only face competition from highways of the same class in the vicinity with similar direction and comparable traffic efficiency.

In this regard, the Jihe Expressway is a northeast-southwest expressway which links Jinan City and Heze City and passes along nine counties under four cities in Shandong Province. In addition, according to the Concession Agreement, the Shandong Transport Department, as authorised by the Shandong Provincial Government, has undertaken that no other class of highway of the same direction will be built (whether by the Shandong Transport Department or through a third party) within an area of 50 km on both sides of the Jihe Expressway. According to the Traffic Consultant, the above undertaking is able to provide sufficient protection to the Jihe Expressway from potential competition from any newly built expressways.

The Interests of Qilu Transportation in Highways

Pursuant to the Approval Regarding Qilu Transportation Establishment, in order to further enhance the reformation of investment and financing system, promote the market liberalisation of transportation infrastructure and facilitate the continuous rapid development of transportation network in Shandong Province, the Shandong Provincial Government has approved the establishment of Qilu Transportation to take over the interests in certain highway projects and assets held by Shandong Highway Bureau. For details of the establishment of Qilu Transportation, please refer to the sub-section headed “History, Development and Group Structure — Capital Increases and Equity Transfers — Equity transfer during the Track Record Period up to immediately before the Reorganisation — Establishment of Qilu Transportation” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, apart from holding interest in the Jihe Expressway through our Company, Qilu Transportation held interests in certain expressways under operation by directly holding the expressway assets under operation (the “**Other Expressway Assets of Qilu Transportation**”) or by holding equity interests in certain expressway operation companies (the “**Other Companies under Qilu Transportation**”).

The following table sets out the details of such Other Companies under Qilu Transportation in which Qilu Transportation holds 10% or more of equity interests:

<u>No.</u>	<u>Name of the Other Companies under Qilu Transportation</u>	<u>Existing expressway business of the company</u>	<u>Approximate percentage of equity interest held by Qilu Transportation as at the Latest Practicable Date</u>	<u>Reasons for not competing with Jihe Expressway⁽¹⁾</u>
A1.	Shandong Dongqing Highway Company Limited (“ Shandong Dongqing Highway Company ”)	Operation, management and maintenance of the Dongqing Expressway	50.00%	Different regions and directions
A2.	Dongying Yellow River Bridge Company Limited	Operation, management and maintenance of the G18 Rongwu Expressway Dongying Yellow River Bridge and its connecting lines	50.00%	Different regions and directions
A3.	CRCC Shandong Beijing — Shanghai Expressway Jile Company Limited	Investment, design, construction, operation, and maintenance of the Beijing — Shanghai Expressway (Jinan — Leling Section)	35.00%	Different directions

Note:

⁽¹⁾ For details regarding the reasons for no competition, please refer to the sub-section headed “Delineation of Business between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Jihe Expressway project has the general characteristics of the expressway industry” in this section of the prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets out the Other Expressway Assets of Qilu Transportation as at the Latest Practicable Date:

No.	Name of expressway assets	Charging miles (km)	Reasons for not competing with Jihe Expressway ⁽¹⁾
1.	Original S26 Laitai Expressway (Laiwu West — Tai'an Section)	44.3	Different regions and directions
2.	S23 Zaozhuang — Mushi Expressway	27.9	Different regions and directions
3.	S7201 Dongying Port Logistic Expressway	60.2	Different regions and directions
4.	S31 Taixin Expressway (Tai'an — Huamawan Section)	35.7	Different regions and directions
5.	S1 Jiliao Expressway (Qihe — Liaocheng Section)	86.2	Different directions
6.	Original S32 Heze — Dongming Expressway	37.3	Different regions and directions
7.	S31 Taixin Expressway (Huamawan — Xintai Section)	45.7	Different regions and directions
8.	G2 Beijing — Shanghai Expressway (Xintai — Linyi Section)	91.3	Different regions and directions
9.	G18 Rongwu Expressway (Yantai Ring Section)	41.6	Different regions and directions
10.	G2001 Jinan Ring Expressway East Line	19.6	Different directions and efficiency
11.	G2 Beijing — Shanghai Expressway (Linyi — Honghuabu Section)	83.7	Different regions and directions
12.	G1511 Rilan Expressway (Rizhao — Zhuyuan Section)	114.3	Different regions and directions
13.	G15 Shenhai Expressway (Qixia — Laixi Section)	73.7	Different regions and directions
14.	S1 Jiliao Expressway (Liaocheng East — Shandong — Hebei Border)	65.7	Different regions and directions
15.	G15 Shenhai Expressway (Yantai — Qixia Section)	49.0	Different regions and directions
16.	G1511 Rilan Expressway (Qufu — Heze Section)	148.3	Different directions
17.	G2001 Jinan Ring Expressway South Line	39.9	Different directions
18.	G2 Beijing — Shanghai Expressway (Laiwu — Xintai Section)	46.0	Different regions and directions
19.	Original S26 Tailai Expressway (Laicheng District — Laiwu West Section)	14.8	Different regions and directions
20.	G15 Shenhai Expressway (Liangcheng — Fenshui Section)	61.1	Different regions and directions
21.	G1511 Rilan Expressway (Zhuyuan — Qufu Section)	113.5	Different regions and directions
22.	G18 Rongwu Expressway (Yantai — Xinhe Section)	186.5	Different regions and directions
23.	G25 Changshen Expressway (Binzhou Yellow River Bridge)	14.9	Different regions and directions
24.	G25 Changshen Expressway (Dagao — Binzhou Section)	28.8	Different regions and directions
25.	Original S24 Weiqing Expressway (Rushan — Jimo Section)	93.3	Different regions and directions
26.	G18 Rongwu Expressway (Dongying Stack Interchange — Dengwang Interchange Section)	67.1	Different regions and directions
27.	G25 Changshen Expressway (Shandong — Hebei Border — Dagao)	56.9	Different regions and directions
28.	S24 Weiqing Expressway (Jimo Section)	45.0	Different regions and directions
29.	G22 Qinglan Expressway (Qingdao — Laiwu Section)	232.4	Different regions and directions
30.	G18 Rongwu Expressway (Xinhe — Xinzhuangzi Section)	106.7	Different regions and directions

Note:

⁽¹⁾ For details regarding the reasons for no competition, please refer to the sub-section headed “Delineation of Business Between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Jihe Expressway project has the general characteristics of the expressway industry” in this section of the prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

No.	Name of expressway assets	Charging miles (km)	Reasons for not competing with Jihe Expressway ⁽¹⁾
31.	S7801 Rizhao Shijiugang District Port Logistics Expressway	13.6	Different regions and directions
32.	S7401 Yantai Laizhou Port Logistic Expressway	16.0	Different regions and directions
33.	S7402 Yantai West Port Logistic Expressway	12.8	Different regions and directions
34.	S12 Binzhou — Dezhou Expressway	145.2	Different regions and directions
35.	Original S24 Gaotang — Xingtai Expressway	46.0	Different regions and directions
36.	G25 Changshen Expressway (Qingzhou — Linshu Section)	227.9	Different regions and directions
37.	S33 Jixu Expressway (Dongping — Jining Section)	36.7	Different directions
38.	S19 Yantai Longkou Port Logistics Expressway	10.9	Different regions and directions
39.	Penglai — Qixia Expressway	39.9	Different regions
40.	Deshang Expressway (Liaocheng — Fan County Section (Shandong — Henan Border Section))	68.9	Different regions
41.	Rongcheng — Wendeng Expressway	40.4	Different regions and directions
42.	Jinan — Dongying Expressway	162.9	Different regions and directions
43.	Rizhao Airport — Shenhai Expressway Connect Line Expressway	2.6	Different directions
44.	Jingfu Expressway Dezhou South Connect Line	7.7	Different regions and directions

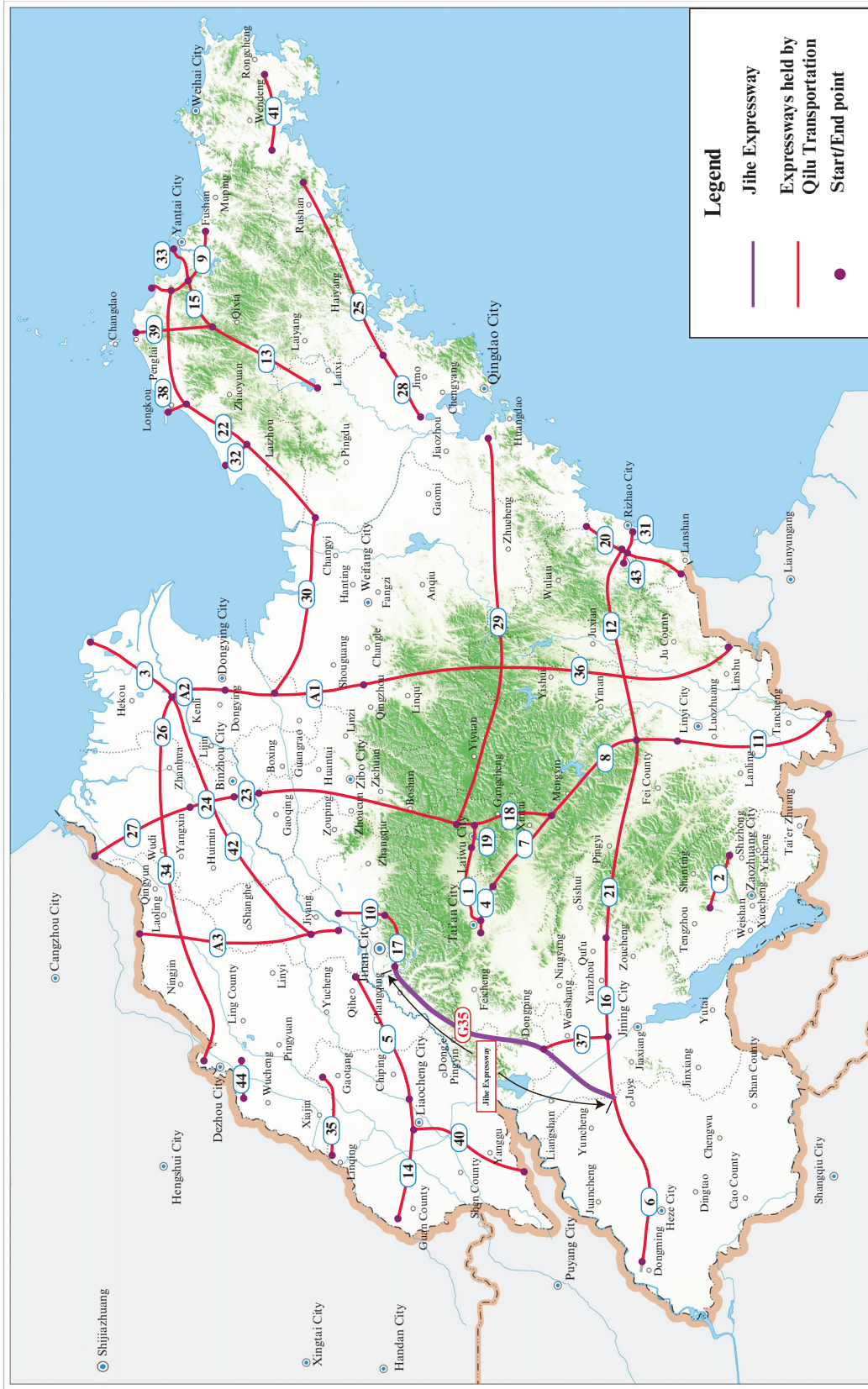
Save as disclosed above, Qilu Transportation did not hold any interests in any expressway under operation through the holding of equity interests or assets of relevant companies as at the Latest Practicable Date.

The following map sets out the locations of the expressways held by Other Companies under Qilu Transportation and the Other Expressway Assets of Qilu Transportation as at the Latest Practicable Date, illustrating the differences in terms of the directions of such expressways and the regions of Shandong Province at which they were located.

Note:

⁽¹⁾ For details regarding the reasons for no competition, please refer to the sub-section headed “Delineation of Business Between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Jihe Expressway project has the general characteristics of the expressway industry” in this section of the prospectus.

Illustration map of expressways in relation to Jihe Expressway



Source: Qilu Transportation; the Shandong Provincial Traffic Planning Design Institute; Frost & Sullivan

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Names of the expressways referred to in the map above

- | | |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| A1. Dongqing Expressway | 20. G15 Shenhai Expressway
(Liangcheng — Fenshui Section) |
| A2. G18 Rongwu Expressway Dongying
Yellow River Bridge and its connecting
lines | 21. G1511 Rilan Expressway
(Zhuyuan — Qufu Section) |
| A3. Beijing — Shanghai Expressway
(Jinan — Leling Section) | 22. G18 Rongwu Expressway
(Yantai — Xinhe Section) |
| 1. Original S26 Laitai Expressway
(Laiwu West — Tai'an Section) | 23. G25 Changshen Expressway
(Binzhou Yellow River Bridge) |
| 2. S23 Zaozhuang — Mushi Expressway | 24. G25 Changshen Expressway
(Dagao — Binzhou Section) |
| 3. S7201 Dongying Port Logistic
Expressway | 25. Original S24 Weiqing Expressway
(Rushan — Jimo Section) |
| 4. S31 Taixin Expressway
(Tai'an — Huamawan Section) | 26. G18 Rongwu Expressway (Dongying
Stack Interchange — Dengwang
Interchange Section) |
| 5. S1 Jiliao Expressway
(Qihe — Liaocheng Section) | 27. G25 Changshen Expressway (Shandong
— Hebei Border — Dagao) |
| 6. Original S32 Heze — Dongming
Expressway | 28. S24 Weiqing Expressway (Jimo Section) |
| 7. S31 Taixin Expressway
(Huamawan — Xintai Section) | 29. G22 Qinglan Expressway
(Qingdao — Laiwu Section) |
| 8. G2 Beijing — Shanghai Expressway
(Xintai — Linyi Section) | 30. G18 Rongwu Expressway
(Xinhe — Xinzhuangzi Section) |
| 9. G18 Rongwu Expressway
(Yantai Ring Section) | 31. S7801 Rizhao Shijiugang District Port
Logistics Expressway |
| 10. G2001 Jinan Ring Expressway East
Line | 32. S7401 Yantai Laizhou Port Logistic
Expressway |
| 11. G2 Beijing — Shanghai Expressway
(Linyi — Honghuabu Section) | 33. S7402 Yantai West Port Logistic
Expressway |
| 12. G1511 Rilan Expressway
(Rizhao — Zhuyuan Section) | 34. S12 Binzhou — Dezhou Expressway |
| 13. G15 Shenhai Expressway
(Qixia — Laixi Section) | 35. Original S24 Gaotang — Xingtai
Expressway |
| 14. S1 Jiliao Expressway (Liaocheng
East — Shandong — Hebei Border) | 36. G25 Changshen Expressway
(Qingzhou — Linshu Section) |
| 15. G15 Shenhai Expressway
(Yantai — Qixia Section) | 37. S33 Jixu Expressway
(Dongping — Jining Section) |
| 16. G1511 Rilan Expressway
(Qufu — Heze Section) | 38. S19 Yantai Longkou Port Logistics
Expressway |
| 17. G2001 Jinan Ring Expressway South
Line | 39. Penglai — Qixia Expressway |
| 18. G2 Beijing — Shanghai Expressway
(Laiwu — Xintai Section) | 40. Deshang Expressway
(Liaocheng — Fan County Section
(Shandong — Henan Border Section)) |
| 19. Original S26 Tailai Expressway
(Laicheng District — Laiwu West
Section) | 41. Rongcheng — Wendeng Expressway |
| | 42. Jinan — Dongying Expressway |
| | 43. Rizhao Airport — Shenhai Expressway
Connect Line Expressway |
| | 44. Jingfu Expressway Dezhou South
Connect Line |

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Reasons for Excluding from the Listing Group

As at the Latest Practicable Date, given the below, our Directors are of the opinion that it is inappropriate to include the equity interests held by Qilu Transportation in Other Companies under Qilu Transportation or Other Expressway Assets of Qilu Transportation in the Listing Group:

- (i) our Directors are of the view that there is no competition between the Jihe Expressway and the Other Expressway Assets of Qilu Transportation and the expressway assets held through the Other Companies under Qilu Transportation. For more detailed analysis, please refer to the sub-sections headed “Business — Competition” and “Relationship with our Controlling Shareholders — The Jihe Expressway project has the general characteristics of the expressway industry” in this prospectus;
- (ii) the Other Expressway Assets of Qilu Transportation and the Other Companies under Qilu Transportation, most of which were transferred as government repaying-loan expressways from the Shandong Transport Department pursuant to the Approval Regarding Qilu Transportation Establishment. Under PRC laws, the construction and management of government repaying-loan expressways shall be taken charge of by non-profit legal persons legally established by the competent transportation department of the people’s government at or above the county level, and toll rates of government repaying-loan expressways shall be deposited into special financial accounts in full. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, to include the aforesaid certain expressways into our Group from Qilu Transportation does not satisfy the requirements under the current effective PRC laws. According to the Approval Regarding Qilu Transportation Establishment, toll collection of such expressways shall comply with the relevant laws and regulations after the effective of the revision of the Regulations on the Administration of Toll Roads. As at the Latest Practicable Date, the Regulations on the Administration of Toll Roads has not been officially revised⁽¹⁾. Thus, there is uncertainty about the duration of toll collection of such expressways, and Qilu Transportation and our Group cannot make a judgement on the continuity of toll collection of such expressways in the future. Therefore, it is inappropriate to include such certain expressways in our Group; and

Note:

⁽¹⁾ For details of the Regulations on the Administration of Toll Roads and its revision, please refer to the sub-sections headed “Risk Factors — Risks relating to our Business — Our Concession Rights for the operation of our business will expire in a certain period of time or may be terminated before expiration.”, “Risk Factors — Risks relating to the Industry — Our operations are subject to regulation by the PRC Government authorities, and changes of the PRC Government’s transportation-related policies may impact our revenue and profits.” and “Regulatory Overview — Laws and Regulations in relation to Highways” in this prospectus.

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- (iii) our PRC Legal Advisers and our Directors are of the view that, based on the information and confirmation provided by Qilu Transportation, as at the Latest Practicable Date, Qilu Transportation and Other Companies under Qilu Transportation have not acquired all the land use right certificates of each of the aforesaid 47 expressways, and thus Qilu Transportation cannot transfer the full land use right of each of the aforesaid 47 expressways to our Group or ensure our Group's legitimate use right of such land pursuant to the relevant PRC laws.

Our Directors confirm that when they are notified by Qilu Transportation that the above issues have been resolved or rectified, they will consider to include the abovementioned expressways and/or operating companies of expressways in the Listing Group as appropriate in accordance with our acquisition strategy, assessment criteria and evaluation process, details of which are set out in the sub-sections headed "Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business" and "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus, and in accordance with the requirements under the Listing Rules (including Chapter 14A of the Listing Rules). Our Directors further confirm that the same assessment criteria and evaluation process would be applied and undergone, respectively, for considering whether to acquire or invest in the abovementioned expressways and/or operating companies of expressways (provided that the issues pertaining to them as disclosed above have been resolved or rectified) as in the situation for considering the acquisition or investment in other expressway projects and/or their operating companies held by Independent Third Parties.

Principal Business of COSCO SHIPPING (Hong Kong)

COSCO SHIPPING (Hong Kong) is a private company incorporated in Hong Kong with limited liability on 3 September 1992 with issued share capital of HK\$3,428,694,126. Its principal business includes the provision of shipping and cargo services, property investment and management, and investment in expressway, industrial and information technology projects.

The Interests of COSCO SHIPPING (Hong Kong) in Highways

As at the Latest Practicable Date, apart from the interest in Jihe Expressway held through our Company, COSCO SHIPPING (Hong Kong) held equity interests in the operating companies of the Jincang Expressway (Tianjin-Hebei Cangzhou Section) with a total length of 41.8 km, the Beijing-Ha'erbin Expressway Tianjin Section (from Hebei Province Xianghe County to Hebei Province Yutian County) with a total length of 37.2 km and the Zhuzhou (Beijing-Hebei Border) — Shijiazhuang Section Expressway of the Beijing-Hong Kong-Macao Expressway with a total length of 224.7 km. As these expressways are located in Tianjin and Hebei Provinces whereas the Jihe Expressway is located in the Shandong Province, our Directors are of the view that: (i) there is no competition between these expressways and the Jihe Expressway; and (ii) the equity interests in the operating companies of these expressways held by COSCO SHIPPING (Hong Kong) shall not be included in the Listing Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed above, COSCO SHIPPING (Hong Kong) did not hold any interest in any highway through the holding of equity interest or assets of the relevant companies as at the Latest Practicable Date.

Competition

The Jihe Expressway runs from the Yinjialin Stack Interchange in Jinan City to the Wangguantun Stack Interchange which is 50 km to the northeast of Heze City whereby vehicles can access Heze City through the G35 Expressway which connects to Guangzhou directly. As at the Latest Practicable Date, apart from holding interest in the Jihe Expressway through our Company, Qilu Transportation is also interested in certain expressways under operation in Shandong Province through its shareholding in three companies of which (i) the expressways operated by two companies are different from the Jihe Expressway in terms of regions and directions; and (ii) the expressways operated by another company are different from the Jihe Expressway in terms of directions. As at the Latest Practicable Date, a total of 44 expressways under operation in Shandong Province are directly held by Qilu Transportation, of which (i) 36 expressways are different from the Jihe Expressway in terms of regions and directions; (ii) five expressways are different from the Jihe Expressway in terms of directions; (iii) two expressways is different from the Jihe Expressway in terms of regions; and; (iv) one expressway is different from Jihe Expressway in terms of directions and efficiency. Frost & Sullivan and the Traffic Consultant have both confirmed that there are no other highways which are more efficient than the Jihe Expressway in the aforementioned regions in terms of the travelling time, direction and driving route.

As at the Latest Practicable Date, apart from holding interest in the Jihe Expressway through our Company, COSCO SHIPPING (Hong Kong) is also interested in three expressways. The three expressways are located in Hebei Province and Tianjin City, the regions of which are different from that of the Jihe Expressway. Given the above, other than their respective equity interests in our Company, Qilu Transportation and COSCO SHIPPING (Hong Kong) hold interest in certain operation companies of highways and certain highway assets (collectively, the “**Other Highways**”) in the PRC. However, the Other Highways: (i) are not located within a proximity of the region from Jinan City to Heze City; and/or (ii) have different directions; and Frost & Sullivan and the Traffic Consultant have both confirmed that there are no other highways which are more efficient than the Jihe Expressway in terms of the travelling time, direction and driving route. Hence, the Other Highways do not compete with the Jihe Expressway.

We believe that there are currently no published or official proposals for any additional or alternative expressway connecting Jinan City and Heze City which would be more efficient than the Jihe Expressway in such regions in terms of the travelling time, directions and driving route between these cities.

As at the Latest Practicable Date, Qilu Transportation and COSCO SHIPPING (Hong Kong) respectively held 10% or more equity interests in certain highway transportation-related companies engaging in advertisement business operation of expressways (other than Jihe Expressway). Advertisement business operation of expressways is a business focusing

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

on the operation of advertisement billboards along a specific expressway on an exclusive basis. By its nature, advertisement business operations of different expressways do not compete with each other. Therefore, the advertisement business operations of companies held by Qilu Transportation and COSCO SHIPPING (Hong Kong) respectively as mentioned above are not in competition or potential competition with the Advertisement Business of our Group.

Based on the above, businesses of Qilu Transportation and COSCO SHIPPING (Hong Kong) and companies in which either Qilu Transportation or COSCO SHIPPING (Hong Kong) holds 10% or more equity interests are not in competition or potential competition with the business of our Group, and neither Qilu Transportation, COSCO SHIPPING (Hong Kong) nor our Directors have any interests in other businesses which, directly or indirectly, compete or may compete with the business of our Group.

In order to avoid direct or indirect competition between the business activities of our Group and the business activities of Qilu Transportation and COSCO SHIPPING (Hong Kong), respectively, our Company has entered into the Non-Competition Agreements with each of Qilu Transportation and COSCO SHIPPING (Hong Kong). Details of the Non-Competition Agreements are set out as follows.

Non-Competition Agreements between Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) and us

Non-Competition

We have 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 we decide 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;

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- (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⁽¹⁾. However, Qilu Transportation or COSCO SHIPPING (Hong Kong) shall communicate with us before the issuance of such approval or instruction in order to minimise the impact of relevant projects on us. 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

Note:

⁽¹⁾ As at the Latest Practicable Date, neither our Group nor our Controlling Shareholders were aware of any plans to implement such written approvals or instructions, which would require our Controlling Shareholders to engage or participate in business that competes or is likely to compete with our Group, from the competent provincial government departments.

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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.

We will promptly notify Qilu Transportation or COSCO SHIPPING (Hong Kong) in the event that our Group decides not to take up the New Business Opportunity (the “**Rejection Notice**”) no later than ten working days or within a time period as otherwise agreed by the parties from receipt of the Offer Notice. If the Rejection Notice is not given within the above period as otherwise agreed by the parties, Qilu Transportation or COSCO SHIPPING (Hong Kong) can treat such inaction as waiver of the priority to take up the New Business Opportunity, and Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries can take up the New Business Opportunity.

The Board or the authorised Board committees will be responsible for reviewing, considering and deciding whether or not to take up the New Business Opportunity. Any Director who is interested in or related to the New Business Opportunity shall abstain from voting. In assessing whether or not to exercise the option for the New Business Opportunity, the Board will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.

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.

In respect of the aforesaid matters or any New Business Opportunities taken up by Qilu Transportation or COSCO SHIPPING (Hong Kong) but failing to fulfill, prior to taking up such matters or New Business Opportunities, its obligations set out in the paragraph headed “Options for New Business Opportunities” under this sub-section of the prospectus, Qilu Transportation and COSCO SHIPPING (Hong Kong) have undertaken to grant our Company an option, pursuant to which our Company may exercise the same at any time during the term of the Non-Competition Agreements, subject to applicable laws and the Hong Kong Listing Rules, to acquire on one or more occasions any equity interest, asset or other interest in respect of the new business of Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries as described above, or to conduct, such new business of Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries, by way of, but not limited to, mandate, lease or subcontracting. However, if any third party has any pre-emptive rights (under the same conditions) in accordance with applicable laws and the relevant articles of association, our option to acquire shall be inapplicable.

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The consideration payable for the acquisition of such new business described above shall be determined with reference to the valuation by a third party professional valuer jointly nominated by Qilu Transportation or COSCO SHIPPING (Hong Kong) and our Company and in accordance with the methods and procedures as required by applicable laws and regulations after negotiation between the parties.

The Board or committees authorised by the Board will be responsible for reviewing, considering and deciding whether or not to exercise the above options for acquisitions. Any Directors who are interested in or related to the acquisitions shall abstain from voting. In assessing whether or not to exercise the options for acquisitions, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.

Pre-emptive Rights

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 (the “**Transfer Notice**”) in advance. The Transfer Notice shall state the terms of the transfer, sale, lease or license and any information which our Company may reasonably require to come to a decision. Our Company shall comply with the principle and provisions of applicable laws and the Hong Kong Listing Rules and reply in writing to Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries within ten working days upon receipt of the Transfer Notice. Qilu Transportation or COSCO SHIPPING (Hong Kong) and/or their respective subsidiaries further undertake not to inform such third party of its intention to transfer, sell, lease or license such business or interests until receipt of a written reply from our Company. If our Company (i) decides not to exercise the pre-emptive rights; or (ii) fails to reply Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries within the agreed period; or (iii) does not accept the conditions as set out in the Transfer Notice and thereafter issues to Qilu Transportation or COSCO SHIPPING (Hong Kong) a written notice setting out such conditions which are acceptable to our Company, but Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries rejects such conditions by notice to us in writing, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries are entitled to transfer, sell, lease or license the interests to a third party on the conditions not more favourable than those under the Transfer Notice.

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The Board or committees authorised by the Board will be responsible for reviewing, considering and deciding whether or not to exercise the pre-emptive rights. Any Director who is interested in or related to the above interests shall abstain from voting. In assessing whether or not to exercise the pre-emptive rights, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.

Further Undertakings from Qilu Transportation and COSCO SHIPPING (Hong Kong)

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has further undertaken that:

- (i) upon request from our independent non-executive Directors, it shall provide, and authorise and procure its respective subsidiaries to authorise our Directors, representatives and auditors to access all information necessary for their review on the compliance with and the implementation of the Non-Competition Agreements by Qilu Transportation and COSCO SHIPPING (Hong Kong) and their respective subsidiaries;
- (ii) it agrees to our Company disclosing the results of review conducted by our independent non-executive Directors on the compliance with and implementation of the Non-Competition Agreements by Qilu Transportation and COSCO SHIPPING (Hong Kong) and their respective subsidiaries in our annual reports or announcements;
- (iii) it provides a statement on compliance with the Non-Competition Agreements (any violation of the Non-Competition Agreements shall be disclosed in details in the statement) to our Company and our independent non-executive Directors so as to make relevant disclosure in annual reports.

Our Directors are of the view that they have sufficient experience in assessing whether or not to exercise the options for new business opportunities, the options for acquisitions or exercise the pre-emptive rights. If our Directors consider that approval of the independent non-executive Directors in respect of such opportunities is required under the Hong Kong Listing Rules, they may appoint an independent financial adviser or other professionals to advise, at the expense of our Company, on whether or not to exercise the options for acquisitions or the pre-emptive rights under the Non-Competition Agreements.

Termination

The Non-Competition Agreements will remain in full force until the occurrence of any of the following events (whichever is earlier):

- (i) Qilu Transportation or COSCO SHIPPING (Hong Kong), no longer being regarded as our Controlling Shareholders under PRC laws or the Listing Rules; or

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- (ii) our Company ceases to be listed on the Hong Kong Stock Exchange (other than any suspension in trading of the Shares for any reason).

In view of (a) the respective legally binding obligations of each of Qilu Transportation and COSCO SHIPPING (Hong Kong) under the Non-Competition Agreements and the options for New Business Opportunities, the options for acquisitions and the pre-emptive rights granted to our Company thereunder, and (b) the information-sharing and other mechanisms in place as described above to monitor the respective compliance with the Non-Competition Agreements by each of Qilu Transportation and COSCO SHIPPING (Hong Kong), each of our Directors (including the independent non-executive Directors) is of the view that our Company has taken appropriate and practicable steps to ensure the compliance by Qilu Transportation and COSCO SHIPPING (Hong Kong) with their respective obligations under the respective Non-Competition Agreements.

Independence from our Controlling Shareholders

Having considered the following factors, we are satisfied that we can conduct our business independently from our Controlling Shareholders and their associates after the completion of the Global Offering.

Operational Independence

Currently, we engage in our core business, namely the Expressway Business and Advertisement Business, independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on our Controlling Shareholders with respect to supplies, equipment and raw materials for our business operations. We have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. Our employees are independent from our Controlling Shareholders and none of our employees is on the payroll of our Controlling Shareholders.

We have our own organisational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted protective measures to ensure the enforceability of the respective Non-Competition Agreements with each of the Qilu Transportation and COSCO SHIPPING (Hong Kong). For details, please refer to the sub-section headed “Non-Competition Agreements between Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) and Us” in this section of the prospectus. We have also adopted a set of corporate governance manuals, such as rules of the shareholders’ meeting, rules of the board meeting, rules of the supervisory board’s meetings and rules on the conduct of connected transactions, which are based on relevant laws, rules and regulations.

Our Company has entered into the Trademark License Agreement with Qilu Transportation, pursuant to which Qilu Transportation has granted our Group the license to use the three trademarks owned by it at nil consideration for an initial term of three years commencing from 12 December 2017. We believe that the terms of the Trademark License Agreement are fair and reasonable, and are in the interests of our

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Shareholders as a whole. Our Directors are of the view that there is no material risk for us to use these trademarks during the course of operation of our Group even though such trademarks are not currently registered by our Group, as Qilu Transportation has undertaken to grant our Group the license to use such trademarks for a term of three years, which shall automatically be renewed for a term of three years upon serving of written notice to Qilu Transportation by our Company one month prior to its expiry, subject to relevant laws, regulations, applicable securities listing rules and requirements of the regulatory authorities, and is renewable as long as Qilu Transportation remains a Controlling Shareholder of our Company. For further details regarding the Trademark License Agreement, please refer to the sub-section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules — (1) Trademark License Agreement” in this prospectus.

In addition, our Company has entered into the General Services Framework Agreement with Qilu Transportation, pursuant to which Qilu Transportation and its relevant Subordinated Entities will provide highway design, inspection and maintenance, research and analysis, construction supporting and other services to our Group, subject to certain pricing and tendering policies. For further details of the General Services Framework Agreement, please refer to the sub-section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions under Rule 14A.76(1) of the Hong Kong Listing Rules — (2) General Services Framework Agreement” in this prospectus.

Despite the continuation of such connected transactions, we will be able to operate independently from Qilu Transportation and its relevant Subordinated Entities for the following reasons:

- (i) we have access to alternative independent suppliers. We engage in our business independently, with the independent right to make operational decisions and implement such decisions;
- (ii) the services provided by Qilu Transportation and its relevant Subordinated Entities are based on pre-agreed pricing policies which ensures the pricing is fair and reasonable;
- (iii) according to the General Services Framework Agreement, where tendering procedures are required for such services according to laws and regulations or the internal rules, public tenders shall be conducted for the selection of service providers and determination of final prices in compliance with the applicable laws and regulations. Our Company has established procedures and would obtain such services through tendering. Our Directors are of the view that the tendering requirements and process can ensure that Qilu Transportation and its relevant Subordinated Entities provide services based on competitive terms and prices;
- (iv) if the same or similar services provided by any third party are better than those provided by Qilu Transportation and its relevant Subordinated Entities, or services provided by the latter cannot satisfy the needs of our Group in any respect (including quantity or quality), our Group shall be allowed to obtain the relevant services in whole or in part from third parties;

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- (v) our Directors are of the view that such connected transactions have been entered into during the ordinary and usual course of business of our Group, that such transactions have been negotiated on arm's length basis, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole; and
- (vi) Qilu Transportation and its relevant Subordinated Entities have been reliable and stable suppliers of services related to highway operations. Hence, our Directors are of the view that it would not be commercially sensible to discontinue using the services provided by Qilu Transportation and its relevant Subordinated Entities.

In addition, our Company has entered into the Land Use Right Lease Agreement and Property Lease Agreement with Qilu Transportation regarding the lease of the land of the Jihe Expressway and the properties of seven management centres and one maintenance and emergency response centre. For further details of the Land Use Right Lease Agreement and the Property Lease Agreement, please refer to the paragraphs headed “(1) Land Use Right Lease Agreement” and “(2) Property Lease Agreement” in the sub-section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions under Rule 14A.76(2) of the Hong Kong Listing Rules” in this prospectus.

Our Directors are of the view that the Land Use Right Lease Agreement can facilitate our Company's use of the land of the Jihe Expressway. The Land Use Right Lease Agreement was entered into during our ordinary and usual course of business on and normal commercial terms and an independent valuer has confirmed that the total rent of the land sites under the Land Use Right Lease Agreement is no less favourable to our Company than that payable by an independent third party. For the Property Lease Agreement, our Directors are of the view that the entering of such agreement aim to satisfy the need of the use of the staff of management centres as offices, residence and for the storage of maintenance and emergency tools during our ordinary course of business, which are not crucial to our core toll collection business, and we are able to seek for alternative venues or other comparable properties in the proximity as replacement in a short period of time. Moreover, the Property Lease Agreement is entered during our ordinary and usual course of business on normal commercial terms or better, and the independent valuer has confirmed that the rentals under the Property Lease Agreement are fair and reasonable, and consistent with the prevailing market rates for similar premises in similar locations in the PRC as at the date of commencement of the tenancy under the Property Lease Agreement.

Furthermore, our core toll collection business is carried out solely based on (i) rights of construction, maintenance, operation and management of the Jihe Expressway granted by the Concession Agreement, and (ii) rights to collect tolls from vehicles passing the Jihe Expressway granted by the Toll Approval. Rights under the Concession Agreement and granted by the Toll Approval are granted to our Company. We are exclusively entitled to the above rights within the Concession Period pursuant to the Concession Agreement and the Toll Approval, and we do not rely on Qilu Transportation to acquire or exercise such rights.

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Despite the continuation of the connected transactions, as we do not place undue reliance on Qilu Transportation in respect of the continuing connected transactions and we do not rely on Qilu Transportation to acquire or exercise the Concession Rights and toll collection right, our Directors are of the view that we will be able to operate and conduct our business independently from Qilu Transportation after Listing.

Our Directors confirm that, our Group and COSCO SHIPPING (Hong Kong), COSCO, COSCO SHIPPING and their respective close associates did not conduct any transactions or jointly use or share any facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors are of the view that our Company operates independently from our Controlling Shareholders.

Financial Independence

We have established our own finance department, which is independent from our Controlling Shareholders, with a team of independent financial staff, who are responsible for financial control, accounting, financial reporting and credit functions. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with our Controlling Shareholders or other enterprises under their control.

We have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons. Moreover, we have established long-term relationships with relevant PRC commercial banks from which we are able to obtain banking facilities on competitive terms to fund our business operations and expansions. As a result, our Directors take the view that we operate independently from our Controlling Shareholder from a financial perspective.

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Management Independence

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

<u>Name/Positions held with our Company</u>	<u>Directorship, Supervisorship, senior management or other positions held with road operation companies of our Controlling Shareholders and/or their associates (other than our Company) as at the Latest Practicable Date</u>
Chen Dalong (陳大龍)/ Vice chairman of the board, Non-executive Director . . .	<ul style="list-style-type: none"> • 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 . . .	<ul style="list-style-type: none"> • 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 . . .	<ul style="list-style-type: none"> • 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; director and chairman 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
Wang Long (王龍)/ Non-executive Director . . .	<ul style="list-style-type: none"> • Head of the office of the labour union of Qilu Transportation
Su Xiaodong (蘇曉東)/ Non-executive Director . . .	<ul style="list-style-type: none"> • Manager of the planning department of COSCO SHIPPING (Hong Kong); 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

Note:

⁽¹⁾ COSCO SHIPPING (Hong Kong) held the entire equity interests in COSCO SHIPPING (Hong Kong) Industry & Trade Limited (“COSCO SHIPPING Industry & Trade”), which in turn held the entire equity interests in Smart Watch Assets.

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<u>Name/Positions held with our Company</u>	<u>Directorship, Supervisorship, senior management or other positions held with road operation companies of our Controlling Shareholders and/or their associates (other than our Company) as at the Latest Practicable Date</u>
Meng Xin (孟昕)/ Chairman of the Supervisory Committee	<ul style="list-style-type: none">• general manager of the finance department of COSCO SHIPPING (Hong Kong); director of COSCO SHIPPING Industry & Trade; 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	<ul style="list-style-type: none">• Assistant to the general manager of the construction and management branch of Qilu Transportation

Apart from the above, none of our Directors, Supervisors or senior management members holds any position or has any roles in our Controlling Shareholders or their associates (other than our Company).

The Board of our Company comprises 12 Directors, including two executive Directors, six non-executive Directors and four independent non-executive Directors, five of whom will continue to hold positions upon Listing in our Controlling Shareholders and/or their associates. Mr. Chen Dalong, Mr. Wu Dengyi, Mr. Li Jie, Mr. Wang Long and Mr. Su Xiaodong are non-executive Directors and do not participate in the daily management of our Company. As members of the Board, they are mainly responsible for participating in formulating operation and investment plans, formulating the overall development strategies and decision-making on major matters such as operation of our Company.

The Supervisory Committee of our Company comprises eight Supervisors, three of whom will continue to hold positions upon Listing, for our Controlling Shareholders and/or their associates. Ms. Meng Xin, Mr. Liu Ligang and Mr. Wu Yongfu are not employee Supervisors and do not participate in the daily business operation and management of our Company. They are mainly responsible for examining the financial position of our Company and supervising the performance of duties of Directors and senior management.

Other than the above Directors and Supervisors who serve as directors, supervisors and/or senior management in our Controlling Shareholders and/or their associates, our Directors have confirmed that our Directors, Supervisors and senior management of our Company do not have any interests in any business which directly or indirectly competes, or is likely to compete, with our business as at the Latest Practicable Date.

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We believe that our Directors, Supervisors and senior management of our Company are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (i) the decision-making mechanism of the Board set out in the Articles of Association include provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicts of interest, such as consideration of resolutions in relation to transactions with our Controlling Shareholders and their associates, the relevant Directors who are connected with them will abstain from voting and will not be counted towards the quorum of the relevant meeting. Furthermore, when considering connected transactions, only our independent non-executive Directors will give independent opinions on relevant connected transactions to the Board according to the Listing Rules;
- (ii) the day-to-day operation of our Company is managed by our Core Management Team which is comprised of our two executive Directors (namely Mr. Li Gang and Mr. Peng Hui), five senior management of our Company (namely Mr. Peng Hui, Mr. Zhang Bo, Mr. Li Andong, Mr. Liu Qiang and Mr. Chen Xiuliu) and two employee Supervisors (namely Mr. Hao Dehong and Ms. Hou Qinghong). Our Core Management Team participates in the operation and management of our Company and plays an important role in our functional departments. It is responsible for the daily management of major functions of our Company including operation and management of our Company, monitoring and maintenance of expressways and related facilities, financial management, transportation infrastructure construction, human resources, operation coordination, administration and information technology. Therefore, the contribution of our Core Management Team was crucial to the operation and finance of our Company during the Track Record Period. Our Core Management Team will remain in office upon Listing and will continue to play an important role in our functional departments. In addition, none of the members of our Core Management Team holds any position in our Controlling Shareholders and their associates;
- (iii) none of our Directors or members of the senior management has any shareholding interest in our Controlling Shareholders;
- (iv) we have appointed four independent non-executive Directors, comprising one-third of our Board, to provide a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (v) each of our Directors is aware of his fiduciary duties as a Director, which require that he acts for our Company's best interests.

On the basis outlined above, our Directors are of the view that our Company has a management team that is independent from our Controlling Shareholders.

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Corporate Governance Measures

Our Company is expected to adopt the following corporate governance measures:

- (i) Our Directors shall comply with the Articles of Association, which provide that, among others, an interested Director shall abstain from voting on any resolutions of the Board in relation to any contracts, arrangement or other proposals in which he/she or any of his/her close associates has material interests, and shall not be counted in the quorum;
- (ii) Our independent non-executive Directors will review the compliance with and implementation of the Non-Competition Agreement by our Controlling Shareholders annually. Our Controlling Shareholders have also undertaken that they will, and will procure their respective subsidiaries and associates to, provide all necessary information at the reasonable request of the independent non-executive Directors to facilitate their review. Our Company will disclose the review results in the annual report or in the form of announcement to the public. Our Controlling Shareholders have undertaken to make annual statement in our annual report in relation to their compliance with the Non-Competition Agreements and other agreements of the connected transactions;
- (iii) Our independent non-executive Directors will also review all decisions made on any New Business Opportunity offered to us during the year. Our Company will disclose the decisions relating to the New Business Opportunity and the basis of decisions in its annual reports or in the form of announcement to the public;
- (iv) Our Company has appointed Zhongtai International Capital as the compliance adviser to provide professional advices and guidelines to our Company regarding the compliance of the Listing Rules and the applicable laws; and
- (v) Any transaction conducted, or proposed to be conducted, between our Company and its connected persons shall comply with the requirements under Chapter 14A of the Listing Rules (including, where applicable, the announcement, circular, reporting, annual review and independent shareholders' approval requirements) as well as the relevant pre-requisite conditions imposed by the Stock Exchange for the grant of waivers from the strict compliance with the applicable regulations under the Listing Rules.

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Further, as disclosed in the sub-section headed “Delineation of Business between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Reasons for Excluding from the Listing Group” in this section of the prospectus, we may consider, as part of our business strategies, to acquire expressways held directly or indirectly by Qilu Transportation (provided that the issues pertaining to them (as disclosed in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Reasons for Excluding from the Listing Group” in this prospectus have been resolved or rectified)). To this regard, in addition to the above measures, we have adopted the following corporate governance measures:

- (i) our Board has adopted the terms of reference concerning corporate governance and a shareholders’ communication policy in accordance with the code provisions of the corporate governance code (the “Code”) set out in Appendix 14 of the Listing Rules;
- (ii) our Company has formulated the rules and procedures for the meeting of the Board (the “Board Meeting Rules”) which include provisions for avoidance of conflict of interest providing that, among other things, (i) in case where a Director has a material interest in the matter to be considered by the Board, such matter shall be dealt with by way of the meeting of the Board (as opposed to be passed by written resolutions of the Board) while the independent non-executive Directors who do not have a material interest in such matter shall attend the Board meeting; (ii) the Director who has an interest in such matter shall abstain from voting and shall not be counted towards the quorum of the meeting; and (iii) resolutions in respect of matters constituting connected transactions of our Company shall be approved by all independent non-executive Directors;
- (iii) pursuant to the Code, our Directors (including independent non-executive Directors) will be able to seek independent professional advice from external parties in appropriate circumstances at our costs in respect of such acquisition; and
- (iv) our independent non-executive Directors shall review the terms of the acquisition and resolve that such terms are normal commercial terms and are fair and reasonable, and that the acquisition is in the interests of our Group and the Shareholders as a whole, before our Company carries out such acquisition, in accordance with the requirements under Chapter 14A of the Listing Rules.

The corporate governance measures for the possible acquisition of the potential projects of 47 expressways in the PRC that Qilu Transportation owns or has interested in, have been established as follows:

- (i) we have established the Strategy Committee, details of which are disclosed in the sub-section headed “Directors, Supervisors, Senior Management and Employees — Board Committees — Strategy Committee” in this prospectus. Our Strategy Committee has two independent non-executive Directors, who have experience in the accounting and traffic or transportation industry;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) when assessing the acquisition or investment opportunities, our Strategy Committee carefully considers a variety of factors including:
- the quality of the assets and business of the potential target;
 - the cost and benefit of the acquisition or investment and our internal financial requirements;
 - the alignment with our corporate strategy and long-term plan;
 - the synergy between our existing operation and the potential target in terms of infrastructure, technology, know-how, management expertise and business compatibility;
 - the socio-economic and demographic condition of and local regulatory environment and policies implemented in the region and province where the potential target is located;
 - the joint venture partners (if any) and the joint venture structure (if applicable);
 - our financial resources; and
 - any applicable quality requirements and financial data of the potential target and the possibility of enhancing the overall competitiveness and sustainability of our existing and future business;

Through the above assessments, our Strategic Committee should ensure (i) that the potential projects are in alignment with the strategic plan and long-term planning as well as the functions of our Group; (ii) that the scale of the acquisition or investment should match our scale of business, condition of the resources, debt level and affordability; and (iii) the safe operation of our funds;

- (iii) our Strategy Committee would engage professional parties such as PRC legal advisers and financial advisers to conduct legal and financial due diligence reviews on the potential projects. Our Strategy Committee would require the PRC legal advisers to opine on (a) the nature of the potential project and the legal framework governing its operations; and (b) the land use right conditions of the lands of such potential project, to ensure that we would only acquire or invest in those projects which our PRC legal advisers have opined that are operative in nature in accordance with the applicable laws and regulations and that have obtained all necessary land use rights or land use right certificates in respect of the lands of such projects;
- (iv) our Strategy Committee will review the feasibility reports to assess the economic and technical viability of the potential projects. These feasibility reports are generally prepared by independent PRC consultancy institutions;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) our Strategy Committee and members from our management will conduct our own site visits and traffic studies at the potential projects locations and perform internal financial analyses;
- (vi) our Strategy Committee and members from our management will conduct interviews with potential joint venture partners (if any) and examine their operating policies and principles to ascertain if we can cooperate with them in operating and managing the potential projects;
- (vii) in case where a Director has a material interest in the matter to be considered by the Board, such matter shall be dealt with by way of the meeting of the Board (as opposed to be passed by written resolutions of the Board) while the independent non-executive Directors who do not have a material interest in such matter shall attend the Board meeting, the Director who has an interest in such matter shall abstain from voting and shall not be counted towards the quorum of the meeting;
- (viii) in accordance with the requirements under Chapter 14A of the Listing Rules, before our Group carries out such acquisition or investment, all independent non-executive Directors would form the Independent Board Committee. The independent Board Committee shall review the terms of the acquisition or investment and resolve that such terms are fair and reasonable and on normal commercial terms and that the acquisition or investment is in the interests of our Group and the Shareholders as a whole before implementation of such acquisition or investment;
- (ix) the independent non-executive Directors will engage an independent financial adviser if necessary to advise on matters in relation to such acquisition; and
- (x) resolutions of connected transactions will be subject to all independent non-executive Directors' approval.

In order to better manage potential or actual conflict of interest between our Company and our Controlling Shareholders in relation to the compliance and enforcement of the Non-Competition Agreements, we have also adopted the following corporate governance measures in addition to those mentioned above:

- (i) in accordance with the Articles of Association and the Board Meeting Rules, any Director having a material interest in the New Business Opportunity or any matter to be considered under the Non-Competition Agreement (including the Directors holding directorship, supervisorship or senior management positions with our Controlling Shareholders and/or their respective associates) shall abstain from voting and shall not be counted towards the quorum of the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) the independent non-executive Directors shall consider the following factors when deciding whether to accept the New Business Opportunity under the Non-Competition Agreements:
- whether the acquisition of New Business Opportunity meets the long-term development plan of our Group;
 - whether our Group has sufficient financial and human resources to complete the acquisition without affecting our existing business;
 - whether the acquisition contributes to our existing business;
 - the scale, project quality, expected profits and investment return, growth potential and risk and liabilities of the New Business Opportunity;
 - the management qualification of the New Business Opportunity and whether it can integrate to the existing management of our Company; and
 - the risk and costs of operating the New Business Opportunity after its acquisition;
- (iii) independent non-executive Directors may engage an independent financial adviser if necessary to advise on matters in relation to the Non-Competition Agreement (including the exercise of the pre-emptive rights thereunder and the terms and conditions of the exercise of such pre-emptive rights) at the expense of our Company; and
- (iv) pursuant to the Listing Rules, any transfer or exercise of any option or pre-emptive right under the Non-Competition Agreements shall constitute a connected transaction. Our Company shall comply with all applicable requirements of disclosure, reporting and/or independent Shareholders' approval (including obtaining approval from independent Shareholders (if applicable)) in relation to such connected transactions. Our Company will also make announcements on the decisions relating to the exercise of the pre-emptive rights under the Non-Competition Agreements.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of our Directors, the following person(s) will, immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the shareholders' general meetings of our Company:

<u>Name of Shareholder</u>	<u>Class of Shares to be held after the Global Offering</u>	<u>Number of Shares to be held after the Global Offering</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding in the relevant class of Shares after the Global Offering⁽¹⁾</u>	<u>Approximate percentage of shareholding in the total share capital of our Company after the Global Offering⁽²⁾</u>
Qilu Transportation	Domestic Shares	778,500,000	Beneficial interest	86.50%	38.93%
COSCO SHIPPING (Hong Kong)	H Shares	600,000,000	Beneficial interest	54.55%	30.00%
COSCO ⁽³⁾	H Shares	600,000,000	Interest in controlled corporation	54.55%	30.00%
COSCO SHIPPING ⁽⁴⁾	H Shares	600,000,000	Interest in controlled corporation	54.55%	30.00%
Shandong Construction	Domestic Shares	121,500,000	Beneficial interest	13.50%	6.08%
Shenhua National Power Group ⁽⁵⁾	Domestic Shares	121,500,000	Interest in controlled corporation	13.50%	6.08%
China Energy Investment ⁽⁶⁾	Domestic Shares	121,500,000	Interest in controlled corporation	13.50%	6.08%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares (depending on the class of Shares) of our Company after the Global Offering.
- (2) The calculation is based on the total number of 2,000,000,000 Shares in issue immediately after the Global Offering.
- (3) COSCO SHIPPING (Hong Kong) is wholly owned by COSCO. Therefore, COSCO is deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) under the SFO.
- (4) COSCO is wholly owned by COSCO SHIPPING, while COSCO SHIPPING (Hong Kong) is wholly owned by COSCO. Therefore, COSCO SHIPPING is deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) under the SFO.
- (5) Shandong Construction is wholly owned by Shenhua National Power Group. Therefore, Shenhua National Power Group is deemed to be interested in the Domestic Shares held by Shandong Construction under the SFO.
- (6) Shenhua National Power Group is wholly owned by China Energy Investment, while Shandong Construction is wholly owned by Shenhua National Power Group. Therefore, China Energy Investment is deemed to be interested in the Domestic Shares held by Shandong Construction under the SFO.

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of our Directors, the following person(s) will, assuming the Over-allotment Option is fully exercised, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the shareholders' general meetings of our Company:

<u>Name of Shareholder</u>	<u>Class of Shares to be held after the Global Offering</u>	<u>Number of Shares to be held after the Global Offering</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding in the relevant class of Shares after the Global Offering⁽¹⁾</u>	<u>Approximate percentage of shareholding in the total share capital of our Company after the Global Offering⁽²⁾</u>
Qilu Transportation	Domestic Shares	778,500,000	Beneficial interest	86.50%	37.52%
COSCO SHIPPING (Hong Kong)	H Shares	600,000,000	Beneficial interest	51.06%	28.92%
COSCO ⁽³⁾	H Shares	600,000,000	Interest in controlled corporation	51.06%	28.92%
COSCO SHIPPING ⁽⁴⁾	H Shares	600,000,000	Interest in controlled corporation	51.06%	28.92%
Shandong Construction	Domestic Shares	121,500,000	Beneficial interest	13.50%	5.86%
Shenhua National Power Group ⁽⁵⁾	Domestic Shares	121,500,000	Interest in controlled corporation	13.50%	5.86%
China Energy Investment ⁽⁶⁾	Domestic Shares	121,500,000	Interest in controlled corporation	13.50%	5.86%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares (depending on the class of Shares) of our Company after the Global Offering.
- (2) The calculation is based on the total number of 2,075,000,000 Shares in issue immediately after the Global Offering.
- (3) COSCO SHIPPING (Hong Kong) is wholly owned by COSCO. Therefore, COSCO is deemed to be interested in the H Shares held by COSCO SHIPPING (Hong Kong) under the SFO.
- (4) COSCO is wholly owned by COSCO SHIPPING, while COSCO SHIPPING (Hong Kong) is wholly owned by COSCO. Therefore, COSCO SHIPPING is deemed to be interested in the H Shares held by COSCO SHIPPING (Hong Kong) under the SFO.
- (5) Shandong Construction is wholly owned by Shenhua National Power Group. Therefore, Shenhua National Power Group is deemed to be interested in the Domestic Shares held by Shandong Construction under the SFO.
- (6) Shenhua National Power Group is wholly owned by China Energy Investment, while Shandong Construction is wholly owned by Shenhua National Power Group. Therefore, China Energy Investment is deemed to be interested in the Domestic Shares held by Shandong Construction under the SFO.

SUBSTANTIAL SHAREHOLDERS

For persons who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the shareholders' general meetings of any other members of our Company, please refer to the sub-section headed "6. Disclosure of Interests" in Appendix VIII to this prospectus.

Save as disclosed herein, our Directors are not aware of any other person(s) who will, immediately after the Global Offering, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the shareholders' general meetings of our Company.

Our Directors are not aware of any arrangement which may result in any change of control in our Company at a subsequent date.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE

The Board comprises 12 Directors including two executive Directors, six non-executive Directors and four independent non-executive Directors with a term of three years, subject to re-election and reappointment. Responsibilities of the Board include but are not limited to 1) executing resolutions passed at Shareholders' general meetings and reporting to the Shareholders; 2) determining our operation and investment plans; 3) formulating our financial and capital plans; 4) determining our internal management structure and formulating fundamental management rules; 5) appointing and dismissing members of senior management and determining their remunerations, rewards and penalties; 6) reviewing toll rates, toll collection methods and related adjustments proposed by our general manager; and 7) exercising other functions and powers empowered by relevant laws, regulations and the Articles of Association.

The Supervisory Committee of our Company consists of eight members, including three employee Supervisors, three shareholder representative Supervisors and two independent Supervisors with a term of three years, subject to re-election and reappointment. Responsibilities of the Supervisory Committee include but are not limited to: 1) reviewing regular reports of our Company prepared by the Board; 2) inspecting our financial position; 3) supervising Directors and senior management in respect of their performance of duties, and requesting them to rectify any actions which prejudice against our interests; and 4) exercising other functions and powers empowered by relevant laws, regulations and the Articles of Association.

OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out information regarding our current Directors, Supervisors and senior management.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>	<u>Responsibilities</u>	<u>Date of appointment for the current position</u>	<u>Date of joining our Company¹</u>
DIRECTORS					
Li Gang (李剛)	49	Chairman, Executive Director and secretary of the party committee	Taking charge of the overall operation of our Company, participating in formulating operation and investment plans, and responsible for formulating comprehensive development strategies, making decisions regarding to our Company's operation and major affairs, presiding over Shareholder's general meetings, convening and presiding over Board meetings, supervising and examining the execution of Board resolutions, taking responsibilities as legal representative, and overseeing the Party Operation Department and Human Resources Department	November 2014	December 2007

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position/Title	Responsibilities	Date of appointment for the current position	Date of joining our Company ¹
Chen Dalong (陳大龍)	56	Vice chairman of the Board, non-executive Director	Participating in formulating operation plans and investment plans, and responsible for formulating comprehensive development strategies, making decisions regarding to our Company's operation and major affairs	December 2017	December 2017
Wang Shaochen (王少臣)	52	Non-executive Director	As above	November 2014	November 2014
Wu Dengyi (吳登義)	54	Non-executive Director	As above	November 2014	November 2014
Li Jie (李杰)	48	Non-executive Director	As above	November 2014	November 2014
Wang Long (王龍)	47	Non-executive Director	As above	November 2014	November 2014
Su Xiaodong (蘇曉東)	54	Non-executive Director	As above	September 2012	September 2012
Peng Hui (彭暉)	53	Executive Director, general manager and deputy secretary of the party committee	Participating in formulating operation and investment plans, responsible for formulating comprehensive development strategies, making decisions regarding to our Company's operation and major affairs, taking charge of the overall operation and management of our Company, and overseeing the corporate management department and Information Technology Department	October 2011 May 2014 (the date of appointment as the general manager and deputy secretary of the party committee)	October 2011
Wu Yuxiang (吳玉祥)	56	Independent Non-executive Director	Providing suggestions on long-term development strategies, major investment decisions, audits and appointment of Directors and senior management of our Company	June 2018	June 2018
Cheng Xuezhao (程學展)	49	Independent Non-executive Director	Providing suggestions on the remuneration packages of Directors and senior management of our Company	June 2018	June 2018

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position/Title	Responsibilities	Date of appointment for the current position	Date of joining our Company ¹
Li Hua (李華)	64	Independent Non-executive Director	Providing suggestions on long-term development strategies, major investment decisions, audits and appointment and remuneration packages of Directors and senior management of our Company	June 2018	June 2018
Wang Lingfang (王令方)	61	Independent Non-executive Director	Providing suggestions on appointment and remuneration packages of Directors and senior management of our Company	June 2018	October 2005
SUPERVISORS					
Meng Xin (孟昕)	47	Chairman of the Supervisory Committee	Convening and presiding the meeting of Supervisory Committee; examining financial position of our Company; and supervising the duty performance of Directors and senior management	December 2017	December 2017
Liu Ligang (劉立剛)	47	Shareholder representative Supervisor	Examining financial position of our Company; and supervising the duty performance of Directors and senior management	November 2014	November 2014
Wu Yongfu (吳永福)	48	Shareholder representative Supervisor	As above	April 2011	April 2011
Lian Shengguo (連勝國)	40	Employee Supervisor	Examining financial position of our Company; and supervising the duty performance of Directors and senior management as a representative of the employees of our Company	October 2016	January 2008
Hao Dehong (郝德紅)	47	Employee Supervisor	As above	March 2011	May 2004
Hou Qinghong (侯清紅)	47	Employee Supervisor	As above	March 2011	November 2007
Wei Zhihai (韋志海)	63	Independent Supervisor	Examining financial position of our Company and supervising the duty performance of our Directors and senior management	June 2018	June 2018
Jiang Xiaoyun (江曉雲)	67	Independent Supervisor	As above	June 2018	June 2018

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position/Title	Responsibilities	Date of appointment for the current position	Date of joining our Company ¹
SENIOR MANAGEMENT²					
Zhang Bo (張波)	50	Standing deputy general manager and member of the party committee	Assisting the general manager in security management, toll operation, contingency response, maintenance and construction management of roads, bridges and properties, and overseeing the Safety Operation Department and Project Maintenance Department	November 2014	December 2003
Li Andong (李安東)	48	Chief financial officer and member of party committee	Assisting the general manager in managing and supervising financial affairs of our Company, and taking charge of the Financial Management Department and Audit and Legal Department	January 2010	December 2007
Liu Qiang (劉強)	49	Chief economist, member of the party committee, chairman of the labour union and secretary of disciplinary commission	Supervising the conducts of communist party members and taking charge of human resources management and the disciplinary committee of the communist party and labour union; performing supervision duties and protecting the legal interest of employees	March 2008	September 2007
Chen Xiulin (陳修林)	45	Deputy general manager, member of the party committee and secretary to the Board	Assisting the chairman of the Board in general operation of the Board, assisting the secretary of the party committee in management of the committee, taking charge of the Board office and performing the tasks of the secretary to the Board	November 2014 April 2016 (the date of appointment as the secretary to the Board)	November 2014
Liu Liangrong (劉亮榮)	51	Deputy general manager and member of the party committee	Assisting the general manager in the administration of our Company and taking charge of the general office	April 2015	April 2015

Notes:

- (1) For each of the non-executive Directors, independent non-executive Directors and independent Supervisors, the date of joining our Company refers to the date on which he/she was initially appointed as our Director or Supervisor.
- (2) Peng Hui, a Director of our Company, also serves as the general manager of our Company and is a senior management member of our Company. For details, please refer to the sub-section headed “Directors” in this section of the prospectus.

All of our Directors and Supervisors meet the qualification requirements under relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions, except for the waiver as to executive Directors in the section headed “Waivers from Strict Compliance with the Hong Kong Listing Rules”.

DIRECTORS**Li Gang (李剛)***Chairman, executive Director and secretary of the party committee*

Mr. Li Gang, aged 49, currently serves as the Chairman, executive Director and secretary of the party committee of our Company.

Mr. Li has nearly 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 our Company in December 2007 and acted as our Director and deputy general manager. He also served as our Director, deputy general manager and secretary of the party committee from March 2008 to April 2011, our 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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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. Li is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Directorship in Jinjieli and Jinyu

Mr. Li also served as the directors of two companies (the “**Two Companies**”) whereby the business licenses of which were revoked during his directorship in the Two Companies (the “**Revocation of Two Companies**”), details of which are as follows.

<u>Name of company</u>	<u>Date of revocation of business license</u>	<u>Nature of procedures</u>	<u>Business nature before the dissolution</u>
Shandong Jinjieli Environmental Technology Limited (山東金杰力環保科技有限公司) (“ Jinjieli ”)	12 December 2005	Revocation of business license	Environmental protection
Jinan Jinyu Catering and Entertainment Limited (濟南金裕餐飲娛樂有限公司) (“ Jinyu ”)	13 December 2006	Revocation of business license	Catering, accommodation and entertainment

Jinjieli was incorporated in Jinan, Shandong Province, on 14 May 2003 as a sino-foreign joint venture. Its equity interest was held by a domestic party and a foreign party as to 49% and 51%, respectively. Before the business license of Jinjieli was revoked by the Jinan City AIC on 12 December 2005 (the “**Revocation of Jinjieli**”), Mr. Li served as its vice chairman of the board of directors and its general manager. To the best knowledge of Mr. Li, the Revocation of Jinjieli was due to the failure of completing its annual inspection (年檢) in 2004 caused by the inadvertent omission on the part of the responsible staff of Jinjieli.

Jinyu was a domestic company incorporated in Jinan, Shandong Province, on 30 April 2001. Its equity interest was held by a legal person and a natural person as to 80% and 20%, respectively. The business license of Jinyu was revoked by the Jinan City AIC on 12 December 2006 when Mr. Li acted as its director (the “**Revocation of Jinyu**”). To the best knowledge of Mr. Li, the Revocation of Jinyu was due to the failure of finishing its annual inspection in 2005 caused by the inadvertent omission on the part of the responsible staff of Jinyu. On 23 March 2007, the shareholders' meeting of Jinyu approved the resolution of liquidation and deregistration of Jinyu. Jinyu then completed the process of its liquidation and deregistration accordingly.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li confirms that there had been no claim against him due to the Revocation of Two Companies up to the Latest Practicable Date. Further, upon or at any time before the Revocation of Two Companies, neither he had any outstanding personal liabilities nor the Two Companies had been involved in any material non-compliances, claims, litigations or legal procedures.

As advised by our PRC Legal Advisers, pursuant to Article 146 of the Company Law, for any person (i) being the legal representative of a PRC company of which the business license has been revoked and is being ordered to close down due to the violation of laws or regulations; and (ii) bearing the personal responsibility as a result of such revocation of business license, he or she will be prohibited from being a director, supervisor or senior management in any other PRC companies within three years from the date of such revocation of business license (the “**Restrictive Provisions**”). Since Mr. Li was not the legal representative of Jinjieli and Jinyu during his tenure in the Two Companies, our PRC Legal Advisers are of the view that the suitability of Mr. Li as our Director shall not be affected by the Revocation of Two Companies under the PRC laws.

Views of our Directors and the Joint Sponsors

In respect of the Revocation of Two Companies, it is noted that, up to the Latest Practicable Date, (i) no legal liability has been imposed on Mr. Li; (ii) there has been no indication of dishonesty or wilful act committed on the part of Mr. Li; (iii) to the best knowledge of Mr. Li, there has been no indication of his responsibilities resulting in the Revocation of Two Companies; and (iv) no effect has occurred on the suitability of Mr. Li as a director or supervisor of companies under the PRC laws. Based on the aforesaid, our Directors are of the view, and the Joint Sponsors concur, that the Revocation of Two Companies shall not affect the suitability of Mr. Li as our Director under Rules 3.08 and 3.09 of the Listing Rules or the suitability of our Company for the Listing under Rule 8.04 of the Listing Rules.

Chen Dalong (陳大龍)

Vice chairman of the Board, Non-executive Director

Mr. Chen Dalong, aged 56, currently is the vice chairman of the Board and non-executive Director of our Company. He concurrently serves as the general manager of COSCO SHIPPING Industry & Trade (中遠海運工貿) (formerly known as COSCO (Hong Kong) Industry & Trade Holdings Limited (中遠(香港)工貿控股有限公司)), 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

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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 our 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 has confirmed that all of the aforesaid expressway companies in which he holds directorship operate expressways outside Shandong Province, and hence do not compete with our Company.

Save as mentioned above, for details of the current positions of Mr. Chen in other companies, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence” in this prospectus.

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.

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Save as disclosed above, Mr. Chen is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

Wang Shaochen (王少臣)

Non-executive Director

Mr. Wang Shaochen, aged 52, currently is a non-executive Director of our 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

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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. Wang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wu Dengyi (吳登義)

Non-executive Director

Mr. Wu Dengyi, aged 54, 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. Wu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Li Jie (李杰)

Non-executive Director

Mr. Li Jie, aged 48, 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, the chairman of the board of directors of Shandong Lulian Petroleum and Gas Sales Company Limited (山東路聯石油油氣銷售有限公司) and the chairman of the board of directors of Shandong Lucheng Highway Service Company Limited (山東路誠公路服務有限公司).

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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 has been 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 since December 2017.

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. Li is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wang Long (王龍)

Non-executive Director

Mr. Wang Long, aged 47, currently is a non-executive Director. He concurrently serves as the head of the office of the labour union of Qilu Transportation.

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

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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 in November 2014 and the head of the office of Qilu Expressway Company Limited Labour Union since April 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 he received.

Mr. Wang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Su Xiaodong (蘇曉東)

Non-executive Director

Mr. Su Xiaodong, aged 54, currently is a non-executive Director. He concurrently serves as the general manager of the planning department of COSCO SHIPPING (Hong Kong).

Mr. Su worked for the planning department of COSCO (formerly known as China Ocean Shipping (Group) Corporation (中國遠洋運輸(集團)總公司) 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 COSCO 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 COSCO (中國遠洋運輸) from February 2009 to March 2012. He has served as the general manager of the planning department of COSCO SHIPPING (Hong Kong) since March 2012. 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 Expressways 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).

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Mr. Su has confirmed that all of the aforesaid expressway companies in which he holds directorship operate expressways outside Shandong Province, and hence do not compete with our Company.

Save as mentioned above, for details of the current positions of Mr. Su in other companies, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence” in this prospectus.

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. Su is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Peng Hui (彭暉)

Executive Director, general manager and deputy secretary of the party committee

Mr. Peng Hui, aged 53, 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. Peng is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wu Yuxiang (吳玉祥)

Independent non-executive Director

Mr. Wu Yuxiang, aged 56, currently is an independent non-executive Director. 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

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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.

Save as disclosed above, Mr. Wu is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

Cheng Xuezhao (程學展)

Independent non-executive Director

Mr. Cheng Xuezhao, aged 49, currently is an independent non-executive Director. 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.

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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.

Save as disclosed above, Mr. Cheng is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

Li Hua (李華)

Independent non-executive Director

Mr. Li Hua, aged 64, currently is an independent non-executive Director.

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. Li is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wang Lingfang (王令方)

Independent non-executive Director

Mr. Wang Lingfang, aged 61, is currently an independent non-executive Director.

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.

Save as disclosed above, Mr. Wang is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

SUPERVISORS**Meng Xin (孟昕)***Chairman of the Supervisory Committee*

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); (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). Ms. Meng is also a director of the companies listed in items (ii) to (xi) above. Ms. Meng has confirmed that all of the aforesaid expressway companies in which Smart Watch Assets Limited has ownership operate expressways outside Shandong Province, and hence do not compete with our Company.

For further details of the current positions of Ms. Meng in other companies, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence” in this prospectus.

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.

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Ms. Meng is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Liu Ligang (劉立剛)

Shareholder representative Supervisor

Mr. Liu Ligang, aged 47, 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. Liu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wu Yongfu (吳永福)

Shareholder representative Supervisor

Mr. Wu Yongfu, aged 48, 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.

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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.

Mr. Wu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Lian Shengguo (連勝國)

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 Jiexiang 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. Lian is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Hao Dehong (郝德紅)

Employee Supervisor

Mr. Hao Dehong, aged 47, 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.

Mr. Hao is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Hou Qinghong (侯清紅)

Employee Supervisor

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)

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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.

Ms. Hou is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Wei Zhihai (韋志海)

Independent Supervisor

Mr. Wei Zhihai, aged 63, is currently an independent Supervisor of our Company.

Mr. Wei served as a worker, committee member of communist youth league committee, office clerk, deputy manager of organisation office and deputy branch secretary of Ji’nan fourth machine tool factory from December 1972 to September 1983. He also served as a deputy secretary of the party committee, deputy factory director, factory director and secretary of party committee of Jinan fourth machine tool factory from August 1985 to September 1996. He was the manager of Ji’nan Economic and Technical Investment Corporation (濟南市經濟技術投資公司) from September 1996 to April 1998. He was also a member of the Working Committee of Industry and Transport of Jinan Municipal Committee of the PRC (中共濟南市委工交工委), deputy head of the Jinan Economic Committee (濟南市經濟委員會) and deputy secretary of party committee from April 1998 to May 2004. He served as the director, deputy secretary of party committee, deputy general manager and chief legal counsel of China National Heavy Duty Truck Group Co., Ltd. from May 2004 to October 2014. He also served as the vice chairman of Shandong Chamber of China Chamber of International Commerce (中國國際商會山東商會) from April 2006 to June 2013. Mr. Wei was the executive director and vice president of Sinotruk (Hong Kong) Limited (中國重汽(香港)有限公司) (listed on the Hong Kong Stock Exchange, stock code: 03808) from February 2007 to December 2014. He served as the senior adviser of DeHeng Law Offices (北京德恆律師事務所) from January 2015 to 31 December 2017. He was also the project group leader of Qingdao Zhongqi New Energy Automobile Co., Ltd. under

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China National Heavy Duty Truck Group Co., Ltd. from April 2015 to July 2017. He has once served as the specialised deputy head of the new energy vehicle innovation group of China National Heavy Duty Truck Group Co., Ltd. in June 2017.

Mr. Wei was named as Labour Model of Jinan (濟南市勞動模範) by the People's Government of Jinan in April 2012. He was honored the Labour Model of Shandong (山東省勞動模範) by the People's Government of Shandong in April 2013 and the 22nd session of Outstanding Entrepreneur of Shandong (第22屆山東省優秀企業家) by Shandong Enterprise Confederation (山東省企業聯合會) and Shandong Entrepreneur Association (山東省企業家協會) in June 2014.

Mr. Wei graduated from Shanghai Institute of Mechanical Technology (上海機械學院) (currently known as University of Shanghai for Science and Technology) in Shanghai, the PRC, with a diploma majoring in party politics management in July 1985. Mr. Wei graduated from Tsinghua University (清華大學) in Beijing, the PRC, and obtained an adult tertiary academic qualification certificate from an online learning programme majoring in law in March 2005. Mr. Wei was accredited as a senior economist by Senior Economics Profession Qualification Evaluation Committee of Shandong (山東省經濟專業職務高級評審委員會) in August 1993 and as professorate political analyst by Senior Professional Qualification Evaluation Committee for Corporate Ideological and Political Worker of 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) in September 2011.

Mr. Wei is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Directorship in Yongling

Mr. Wei acted as the chairman of the board of directors and also the legal representative of Jinan Yongling Shukong Technological Development Limited (濟南永菱數控技術發展有限公司) (“**Yongling**”). On 13 January 2003, the Jinan City AIC revoked the business license of Yongling (the “**Revocation of Yongling**”).

Yongling was a sino-foreign joint venture incorporated in Jinan, Shandong Province, on 21 July 1993. Its equity interest was held by a domestic entity, namely Jinan No. 4 Machine Tool Plant (濟南第四機床廠) and a foreign entity as to 50% and 50%, respectively. The principal businesses of Yongling were manufacturing and selling of machinery tools.

To the best knowledge of Mr. Wei, the Revocation of Yongling was due to the failure of completing the annual inspection timely. In September 2000, Jinan Foreign Economic Relations and Trade Committee (濟南市對外經濟貿易委員會) approved the application for the dissolution and liquidation of Yongling (the “**Approval**”). After the Approval, Yongling commenced the procedures of dissolution and liquidation, during which the relevant staff of Yongling omitted the duty of annual inspection, thereby resulting in the Revocation of Yongling.

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Mr. Wei confirms that there had been no claim against him due to the Revocation of Yongling up to the Latest Practicable Date. Further, upon or at any time before the Revocation of Yongling, neither he had any outstanding personal liabilities, nor the Yongling had been involved in any material non-compliances, claims, litigations or legal procedures.

As advised by our PRC Legal Advisers, the business license of Yongling was revoked on 13 January 2003, which was more than three years prior to the date of appointment of Mr. Wei as an independent Supervisor of our Company. Our PRC Legal Advisers are of the view that, pursuant to Article 146 of the Company Law, the suitability of Mr. Wei as our independent Supervisor shall not be affected by the Revocation of Yongling under the PRC laws.

Views of our Directors and the Joint Sponsors

In respect of the Revocation of Yongling, it is noted that, up to the Latest Practicable Date, (i) no legal liability has been imposed on Mr. Wei; (ii) there has been no indication of dishonesty or wilful act committed on the part of Mr. Wei; (iii) to the best knowledge of Mr. Wei, there has been no indication of his responsibilities resulting in the aforementioned revocation; and (iv) no effect has occurred on the suitability of Mr. Wei as a director or supervisor of companies under the PRC laws. Based on the aforesaid, our Directors are of the view, and the Joint Sponsors concur, that the Revocation of Yongling shall not affect the suitability of Mr. Wei as our independent Supervisor under Rules 3.08 and 3.09 of the Listing Rules or the suitability of our Company for the Listing under Rule 8.04 of the Listing Rules.

Jiang Xiaoyun (江曉雲)

Independent Supervisor

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.

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Ms. Jiang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

SENIOR MANAGEMENT

Peng Hui (彭暉)

Executive Director, general manager and deputy secretary of the party committee

Mr. Peng Hui, aged 53, currently serves as our executive Director, general manager and deputy secretary of the party committee. For details, please refer to the sub-section headed “Directors” in this section of the prospectus.

Zhang Bo (張波)

Standing deputy general manager and member of the party committee

Mr. Zhang Bo, aged 50, 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

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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. Zhang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Li Andong (李安東)

Chief financial officer and member of the party committee

Mr. Li Andong, aged 48, 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.

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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. Li is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

Liu Qiang (劉強)

Chief economist, member of the party committee, chairman of labour union and secretary of disciplinary commission

Mr. Liu Qiang, aged 49, 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

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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. Liu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Chen Xiulin (陳修林)

Deputy general manager, member of the party committee and the secretary to the Board

Mr. Chen Xiulin, aged 45, 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

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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).

Mr. Chen is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Liu Liangrong (劉亮榮)

Deputy general manager and member of the party committee

Mr. Liu Liangrong, aged 51, currently serves as our deputy general manager and a member of the party committee.

Mr. Liu served as the turbine technician of SEPCOIII Electric Power Construction Co., Ltd. (山東電力建設第三工程有限公司) from July 1988 to March 1990, the tunnel engineer of Shenzhen Shandong Nuclear Power Construction Company Limited (深圳山東核電工程有限公司) from March 1990 to September 1992, the professional engineer at the technical department of SEPCOIII Electric Power Construction Co., Ltd. from September 1992 to January 2000, the quality engineer, engineer of the Hong Kong projects, project manager of the Diandong projects and deputy chief engineer and project manager of the Indian projects of Shenzhen Shandong Nuclear Power Construction Company Limited from January 2000 to January 2013, project manager and deputy chief engineer of the Indian projects of Shandong Construction from January 2013 to July 2013 and the deputy chief engineer of Shandong Construction since July 2013. Mr. Liu has joined our Company and served as the deputy general manager since April 2015. Mr. Liu has been a member of the party committee since December 2016. Mr. Liu also served as a director of Jihe Service from May 2015 to August 2017.

Mr. Liu graduated from Shandong Industrial University (presently known as Shandong University) in Jinan, the PRC in July 1988 with a bachelor's degree in engineering majoring in power thermal dynamics. In December 2001, Mr. Liu was qualified as a senior engineer by the Senior Technical Expert Qualifications Board of State Electric Power Corporation (國家電力公司高級專業技術資格評審委員會). In September 2012, he was qualified as a certified supervisory engineer by the Ministry of Housing and Urban-Rural Development of the PRC. In November 2015, he was qualified as a certified first-class architect by the Ministry of Housing and Urban-Rural Development of the PRC.

Mr. Liu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

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KINSHIP

There is no family or blood relationship among any of our Directors, Supervisors and senior management of our Company.

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo (連勝國), aged 40, currently serves as our employee Supervisor, member of the disciplinary committee, officer of the office of the Board and joint company secretary. For details, please refer to the sub-section headed “Supervisors” in this section of the prospectus.

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. She joined SWCS Corporate Services Group (Hong Kong) Limited as the assistant vice president in April 2018 and has been serving as the vice president from June 2018. She is also the company secretary of Huifu Limited (listed on the Stock Exchange, stock code: 01806).

Ms. So obtained a master 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 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.

Ms. So is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

In respect of the qualification of our company secretaries, we have applied for and have been granted by the Hong Kong Stock Exchange a waiver from strict compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules. For details of the waiver, please refer to the sub-section headed “Waivers from Strict Compliance with the Hong Kong Listing Rules — Joint Company Secretaries” in this prospectus.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws, regulations, the Articles of Association and the Hong Kong Listing Rules, we have established the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee as well as Strategy Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix XIV to the Hong Kong Listing Rules. The responsibilities of the Audit Committee include but are not limited to:

- proposing the appointment, reappointment or removal of an external auditor;
- reviewing and supervising the independence and objectivity of the external auditor and the effectiveness of the auditing procedure in accordance with applicable standards;
- reviewing the financial information of our Company and its disclosure;
- supervising the financing reporting system and internal control procedures of our Company; and
- improving the communication between the internal auditor and the external auditor.

The Audit Committee comprises Wu Yuxiang, Li Hua and Wang Shaochen, and Wu Yuxiang is the chairperson of the Audit Committee.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Hong Kong Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix XIV to the Hong Kong Listing Rules. The responsibilities of the Remuneration and Appraisal Committee include but are not limited to:

- assessing the remuneration system and policies for all Directors and senior management, setting up standardised and transparent procedures to formulate remuneration policies and to make recommendations to the Board of Directors;
- studying the remuneration policies and structure of Directors, Supervisors and senior management (including non-monetary income, pension and compensation) and the procedure of formulating remuneration policies and making recommendations to the Board of Directors. The procedure for remuneration policies shall be standardised and transparent;

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- making recommendations on non-executive directors' remuneration to the Board of Directors;
- reviewing and approving the compensation arrangement in relation to the dismissal or removal of Directors due to misconduct and ensuring that such arrangement is in line with the clauses of the related contract; and ensuring the compensation is reasonable and appropriate if there is inconsistency between the clauses of such arrangement and the contract; and
- overseeing the implementation of remuneration system for Directors, Supervisors and senior management.

The Remuneration and Appraisal Committee comprises Li Hua, Cheng Xuezhao and Wang Lingfang, and Li Hua is the chairperson of the Remuneration and Appraisal Committee.

Nomination Committee

We have established the Nomination Committee in compliance with paragraph A5 of the Corporate Governance Code set out in Appendix XIV to the Hong Kong Listing Rules. The responsibilities of the Nomination Committee include but are not limited to:

- examining the selection standard and procedure, structure, number of members and composition of Directors and senior management (including skills, knowledge and experience) on an annual basis, and making recommendations on any changes for Directors and senior management in relation to the strategic development of our Company;
- seeking for qualified candidates of Directors and senior management and nominating such candidates as Directors or making recommendations to the Board of Directors;
- making recommendations on appointment or reappointment and succession plan of Directors and senior management to the Board of Directors; and
- reviewing the independency of independent non-executive Directors.

The Nomination Committee comprises Li Gang, Li Hua, Wang Lingfang and Wu Yuxiang, and Li Gang is the chairperson of the Nomination Committee.

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Strategy Committee

We have established the Strategy Committee, the responsibilities of which include but are not limited to:

- studying and making recommendations on the planning of long-term development strategies of our Company;
- studying and making recommendations on major financing plans subject to approval of the Board of Directors;
- studying and making recommendations on major funding and assets operation projects subject to approval of the Board of Directors;
- studying and making recommendations on the operation plan and annual budget plan of our Company;
- studying and making recommendations on other major affairs affecting the development of our Company; and
- inspecting the implementation of the above matters.

The Strategy Committee comprises Li Gang, Peng Hui, Wang Shaochen, Wu Yuxiang and Li Hua, and Li Gang is the chairperson of the Strategy Committee.

EMOLUMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our 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 based on their respective duties and responsibilities (including being members or chairman of Board committees). We adopt an incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. We intend to establish a scientific and effective mechanism that links employee remuneration to our performance in order to motivate our employees and to promote the sustainable growth of our Company. We adopt the “Bonus Allocation Policy,” pursuant to which the allocation of bonus to each business unit is linked to indicators such as the fulfilment of the “annual operation and management targets and responsibilities” and the annual appraisal result of the relevant business unit, while the allocation of bonus to each employee is based on indicators such as the annual appraisal result, seniority and bonus allocation level of the relevant employee.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

For the three years ended 31 December 2017, the total remuneration paid to our Directors and Supervisors amounted to approximately RMB1.8 million, RMB2.0 million and RMB2.5 million, respectively. For the three years ended 31 December 2017, the total remuneration paid to our senior management amounted to approximately RMB3.3 million, RMB3.4 million and RMB3.4 million, respectively. Under the current arrangement, for the year ended 31 December 2018, the total remuneration payable to our Directors and Supervisors are approximately RMB1.6 million and RMB1.0 million, respectively.

During the Track Record Period, no emolument was paid or undertaken to be paid to any Director or Supervisor by our Company as an inducement to join or upon joining our Company, and no compensation was made or undertaken to be made to any Director or then Director as well as Supervisor or then Supervisor who resigned as the management of our Company or any of our subsidiaries.

During the Track Record Period, no emolument was waived by any of our Directors or Supervisors. Save as disclosed above, no other payment was made or undertaken to be made by our Company to any Director or Supervisor of our Company or any of our subsidiaries during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Zhongtai International Capital as our compliance adviser in compliance with Rule 3A.19 and Rule 19A.05 of the Hong Kong Listing Rules, who will advise us in the following circumstances under Rule 3A.23 of the Hong Kong Listing Rules:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Hong Kong Listing Rules, is contemplated including share issues and securities repurchases;
- (c) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our businesses, activities, developments or operating results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry regarding any extraordinary fluctuation in stock price or trading volume or any other issues under Rule 13.10 of the Hong Kong Listing Rules.

Pursuant to Rule 19A.06 of the Hong Kong Listing Rules, Zhongtai International Capital shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules published by the Hong Kong Stock Exchange and any amendment or supplement to the law or guidance applicable to us.

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The term of the compliance adviser will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the date of the Listing.

CORPORATE GOVERNANCE CODE

As at the Latest Practicable Date, our Company did not materially deviate from the Corporate Governance Code as set out in Appendix XIV to the Listing Rules.

SHARE CAPITAL

As at the date of this prospectus, the registered share capital of our Company is RMB1,500,000,000, divided into 900,000,000 Domestic Shares with a nominal value of RMB1.00 each and 600,000,000 Unlisted Foreign Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be increased to RMB2,000,000,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
900,000,000	Domestic Shares in issue ⁽¹⁾	45.00%
600,000,000	H Shares to be converted from Unlisted Foreign Shares and held by COSCO SHIPPING (Hong Kong).	30.00%
<u>500,000,000</u>	H Shares to be issued under the Global Offering . .	<u>25.00%</u>
<u><u>2,000,000,000</u></u>		<u><u>100.00%</u></u>

Note:

⁽¹⁾ These Domestic Shares may be converted into H Shares. For details, please refer to the sub-section headed “Share Capital — Conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares — Conversion of Domestic Shares” in this section of the prospectus.

SHARE CAPITAL

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB2,075,000,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
900,000,000	Domestic Shares in issue ⁽¹⁾	43.37%
600,000,000	H Shares to be converted from Unlisted Foreign Shares and held by COSCO SHIPPING (Hong Kong).	28.92%
<u>575,000,000</u>	H Shares to be issued under the Global Offering . .	<u>27.71%</u>
<u>2,075,000,000</u>		<u>100.00%</u>

Note:

⁽¹⁾ These Domestic Shares may be converted into H Shares. For details, please refer to the sub-section headed “Share Capital — Conversion of Our Domestic Shares and Unlisted Foreign Shares into H Shares — Conversion of Domestic Shares” in this section of the prospectus.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Hong Kong Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that: (i) at least 25% of the issuer’s total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer’s total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK\$125.0 million.

Our Company undertakes that it will meet the public float requirement under the Hong Kong Listing Rules at the time of Listing and after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

SHARE CAPITAL

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars (except for the H Shares which are eligible shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and can be traded in Renminbi) between legal or natural persons of Hong Kong, Macao, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi. For details of the circumstances under which general meetings and class meetings of our Company are required, please refer to “Appendix VI — Summary of Principal Legal and Regulatory Provisions” and “Appendix VII — Summary of Articles of Association” in this prospectus.

Under the PRC Company Law, promoter shares may not be sold within a period of one year from the incorporation of the joint stock company, in our case, from 6 December 2016, on which we were organised as a joint stock limited company. This lock-up period has expired on 5 December 2017. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date. For further details of our Promoters’ shareholding in our Company, please refer to the sub-section headed “History, Development and Group Structure — The Reorganisation — Promoters” in this prospectus.

RANKING

Except as described in this prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix VII to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Except for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

SHARE CAPITAL

All the existing Domestic Shares and Unlisted Foreign Shares are held by our Promoters as promoter shares (as defined in the PRC Company Law).

CONVERSION OF OUR DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

Conversion of Domestic Shares

Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall have been duly completed pursuant to any requisite internal approval processes and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval from the Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this sub-section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

Subject to the approval from the securities regulatory department of the State Council and other competent authorities, holders of Domestic Shares may transfer their shares to overseas investors, and such shares may be listed and traded on an overseas stock exchange. Any listing and trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock market. The listing and trading of the transferred shares on the overseas stock exchange is not be required to be resolved in a class meeting of shareholders. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC Legal Advisers, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of domestic shares.

SHARE CAPITAL

Following the listing of the converted shares on the Stock Exchange, any sale or possible sale of the converted shares may cause a significant decrease in the market price of the H Shares. For details, please refer to the sub-section headed “Risk Factors — Risks relating to the Global Offering” in this prospectus.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on: (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the unlisted Shares held by it into H Shares, except for the Unlisted Foreign Shares held by COSCO SHIPPING (Hong Kong) to be converted to H Shares upon completion of the Global Offering, which is detailed in the sub-section headed “Conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares — Conversion of Unlisted Foreign Shares” in this section of the prospectus.

Conversion of Unlisted Foreign Shares

Upon completion of the Global Offering and pursuant to the approval of CSRC dated 7 May 2018, the Unlisted Foreign Shares held by COSCO SHIPPING (Hong Kong) will be converted to H Shares on a one-for-one basis and listed for trading on the Hong Kong Stock Exchange.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the Global Offering of a company, the shares issued by a company prior to the Global Offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

SHARE CAPITAL

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue Domestic Shares and/or H Shares at any time, either separately or concurrently, at any time within a period of up to the date of the conclusion of the next annual general meeting of Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association and to file such amendments to the relevant administration bureau for industry and commerce for registration, provided that, the number of Domestic Shares or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue and H Shares in issue (as the case may be) as at the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant government authorities for the actual issuance of H Shares and Domestic Shares.

For more details of this general mandate, please refer to the sub-section headed “1. Further Information — C. Resolutions passed at our extraordinary shareholders’ meetings held on 18 April 2017 and 20 January 2018 and the 2016 annual general meeting held on 15 June 2017” in Appendix VIII to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto, as included in the Accountant's Report set out in Appendix I to this prospectus (the "Financial Information"). Such consolidated financial statements include the financial information of our Discontinued Operations, disposal of which was completed in April 2017. Our Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties beyond our control. For further information, please refer to the sections headed "Business", "Forward-looking Statements" and "Risk Factors" in this prospectus.

Unless the context otherwise requires, financial information disclosed in this section is described on a consolidated basis.

OVERVIEW

With over a decade's experience in the PRC expressway operation industry, we are an expressway operator in Shandong Province with the Concession Rights to construct, maintain, operate and manage the Jihe Expressway during the Concession Period. The Jihe Expressway runs from Jinan City to Heze City through nine districts/counties under four cities in Shandong Province with a total length of approximately 153.6 km. The Jihe Expressway forms part of the Fifth Connecting Line and the Eight Vertical Line⁽¹⁾ of the Shandong 9-5-1-7 Expressway Network and connects to a number of industrial zones and renowned tourist attractions in Shandong Province. On a macro-perspective, the Jihe Expressway is located at the northern section of the G35 National Expressway which connects the traffic on the Jihe Expressway to the Bohai Economic Rim, the Yangtze River Delta and the Pearl River Delta under the National Highway System. During the Track Record Period, we were also engaged in the provisions and development of a range of supporting services at the Service Areas and Parking Areas along the Jihe Expressway, including gas stations, car parks, vehicle repair, catering services, supermarkets and advertising.

In April 2017, our Group carried out the Subsidiary and Asset Restructuring through the disposal of 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 to Qilu Transportation and Qilu Service Development, for the purpose of the Listing and enabling

Note:

⁽¹⁾ The whole Jihe Expressway forms the Fifth Connecting Line and the Pingyin-Jiaxiang section of the Jihe Expressway forms part of the Eighth Vertical Line under the Shandong 9-5-1-7 Expressway Network.

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us to focus on our Expressway Business and Advertisement Business. 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. Please refer to the sub-section headed "History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring" in this prospectus for more information. As a result of the Subsidiary and Asset Restructuring, we expect to derive substantially all of our revenue from the tolls paid by drivers of vehicles using the Jihe Expressway in the future.

Our Continuing Operations achieved stable revenue growth during the Track Record Period. Revenue from our Continuing Operations increased by approximately 16.0% from approximately RMB861.9 million for the year ended 31 December 2015 to approximately RMB999.8 million for the year ended 31 December 2016, and further increased by approximately 4.5% to approximately RMB1,045.1 million for the year ended 31 December 2017. Profit for the year from our Continuing Operations increased by approximately 75.1% from approximately RMB252.3 million for the year ended 31 December 2015 to approximately RMB441.8 million for the year ended 31 December 2016, and further increased by approximately 12.9% to approximately RMB498.9 million for the year ended 31 December 2017.

BASIS OF PRESENTATION

Jihe Expressway Company, our predecessor, was established on 6 January 2004. On 6 December 2016, it was converted into a sino-foreign joint stock company with limited liability with the name "Qilu Expressway Company Limited". We are one of the expressway operators in Shandong Province, with the exclusive Concession Rights to design, construct, maintain, operate and manage the Jihe Expressway during the 30-year Concession Period. During the Track Record Period, we were also engaged in the provisions and development of a range of supporting services at the Service Areas and Parking Areas along the Jihe Expressway, including gas stations, car parks, vehicle repair, catering services, supermarkets and advertising. To prepare for the Listing and in order to focus on our Expressway Business and Advertisement Business, we disposed of the entire equity interests in Jihe Service, all of our 51.00% equity interests in Jihe Petroleum plus certain ancillary facility assets along the Jihe Expressway to Qilu Transportation and Qilu Service Development in April 2017.

Our consolidated financial information comprises financial statements of our Company and our subsidiaries during the Track Record Period. The financial statements of our subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies. The financial results of our subsidiaries are consolidated from the date on which our Company obtains control and until the date that such control ceases. Our financial information has been prepared in accordance with HKFRSs and under the historical cost convention, and is presented in RMB.

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For more information on the basis of preparation of the financial information included herein, please refer to summary of significant accounting policies of the Accountants' Report as set out in Appendix I to this prospectus.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to be, affected by a number of factors as set out below, including factors generally related to our industry and factors specifically related to our operations:

Toll Rates

All toll rates for the Jihe Expressway are subject to the approval of the relevant provincial government authorities. Factors to be taken into account by the government authorities when setting toll rates or approving rate changes include, but not limited to, interest rates, inflation rates, maintenance costs of the expressways and affordability of the end-users. For more details in relation to toll rates of the Jihe Expressway, please refer to the sub-section headed "Business — Expressway Operations — Toll Rates" in this prospectus. Our Group, as the operator of the Jihe Expressway, may propose or apply for rate changes. However, there can be no assurance that toll rate increases will be approved by the relevant authorities in a timely manner, or at all. Furthermore, although we do not foresee any reduction in toll rates of the Jihe Expressway in the near future, there is no assurance that the relevant government authorities will not require us to reduce the toll rates despite our opposition or without consulting us. We expect that the changes in toll rates will affect the revenue of our Group, which will in turn affect our Group's results of operations and financial conditions.

Traffic Flow and Mix of Vehicles

Toll income of our Group is principally dependent upon the number of vehicles using the Jihe Expressway. Traffic flow may directly and indirectly be affected by a number of factors, including but not limited to (i) toll rates; (ii) fuel prices; (iii) vehicle prices and the cost of owning and operating vehicles; (iv) population growth, vehicle ownership growth and growth in the number of people of driving age; (v) the availability, quality and proximity of the expressways compared to alternative roads and other competing modes of transportation; and (vi) general development of the provinces, cities and townships served by the Jihe Expressway. While, according to Traffic Consultant's Report, the overall traffic flow on the Jihe Expressway is projected to grow further in the foreseeable future, there can be no assurance that the actual traffic flow will be in line with the projected traffic flow or that it will grow at all. To reduce such risks, we will closely monitor the traffic flow on the Jihe Expressway and may take corrective measures should the traffic flow growth rate be less than the expectation.

In addition, as the Jihe Expressway applies different toll rates based on vehicles' classifications (for passenger vehicles) and weight (for trucks), the toll income of our Group are also dependent upon the mix of vehicles using the Jihe Expressway, in addition to factors such as the growth of the local economy and the civil vehicle ownership in the PRC,

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particularly in Shandong Province. We expect the future traffic flow and mix of vehicles will continue to depend on the economic growth and development policies in the PRC generally as well as in the regions served by the Jihe Expressway.

Maintenance Costs of Expressway Business

According to the Concession Agreement, our Group, as the operator of the Jihe Expressway, shall be responsible for the repair and maintenance of the Jihe Expressway throughout the Concession Period. Maintenance costs and provisions represent the costs incurred and provisions accrued according to our obligation for the repair and maintenance of the Jihe Expressway, and are recognised as the cost of sales. For the three years ended 31 December 2017, the maintenance costs and provisions represented approximately 16.8%, 7.2% and 6.9% of the revenue of the Expressway Business, respectively.

The annual budgeting process of our Group covers the projected operating expenses for Expressway Business of the relevant year. During the Track Record Period, there was no material budget overrun or material unforeseen operating expenses requirements. Our Directors and senior management have always been closely involved in the preparation and subsequent monitoring of the annual operating budget.

Our Company also emphasises on the preventive maintenance of the Jihe Expressway, which our Directors believe that such maintenance enables our Group to maintain the Jihe Expressway at a satisfactory quality and reduce the overall maintenance cost throughout its entire lifecycle. We also believe that it can minimise the needs for extensive maintenance works. Going forward, our Group expects the results of operations and financial conditions will continue to be impacted by the operating expenses for Expressway Business of our Group in the future, which will in turn affect the amount of cash distributions of our Group. There can be no assurance that our Group's results of operations and financial conditions will not be adversely affected by the material operating expenses arising in a given period of time.

Economic Growth and Changes in the PRC and Shandong Province

Our Group generates all, and is expected to generate all or substantially all, of our revenue from the PRC in the future. Therefore, the general economic growth and other economic trends and factors in the PRC and Shandong Province where the Jihe Expressway is located will have direct impact on our operations. In recent years, the nominal GDP growth rate of the PRC has been slowed down with further downward pressure. Nonetheless, during the Track Record Period, the nominal GDP of Shandong Province was in a leading position in China. In addition, driven by the economic development in regions surrounding Shandong Province, traffic flow of the Jihe Expressway has experienced a growth during the Track Record Period.

PRC Government Policies

The results of operations and financial conditions of our Group and other toll road operators in the PRC are sensitive to changes in the PRC Government's macro policies and policies related to the transportation sector.

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In general, we believe that the growth of traffic flow will depend on the sustainable economic growth of the PRC, which is partially driven by the government's development policies. For example, the three major initiatives of the PRC Government emphasise on enhancing the connectivity of infrastructures for transportation and logistics as well as the economic cooperation within and outside China. Therefore, we expect that the Jihe Expressway will benefit from these policies.

In addition, the results of operations and financial conditions of our Group are subject to the influence of policies on provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of expressways in the PRC. For example, the implementation of toll discount and exemption policies by the government, such as the Holiday Toll-Free Policy for passenger vehicles and the Green Passage Toll-Free Policy for vehicles transporting fresh agricultural products, have affected the toll income of expressway operators in the PRC. Nevertheless, our Directors are of the view that these policies do not have a significant impact on the overall results of operations of our Group. On the other hand, our Group has indirectly benefited from certain transportation policies. For example, the installation of the ETC systems, though giving a 5% discount to drivers whose vehicles are registered in Shandong Province, has accelerated the toll collection process in general and reduced labour costs of our manual toll collection.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Significant accounting policies and estimates refer to those accounting policies and estimates that are subject to significant uncertainties and judgments, and may yield materially different results under different conditions and/or assumptions. The preparation of financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, incomes and expenses. The methods and approaches that we use in determining these items are based on our experience, the nature of our business operations, applicable rules and regulations and circumstances that we consider to be relevant. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our results of operations as reported in our consolidated financial statements in the Accountants' Report as set out in Appendix I to this prospectus.

We have identified certain accounting policies and estimates that we believe are significant to the preparation of our consolidated financial statements and the understanding of our results of operations and financial conditions. The significant accounting policies and estimates applied in the preparation of our consolidated financial statements are set out below:

Revenue Recognition

Revenue is measured at the fair value of considerations received or receivable from the Expressway Business, Advertisement Business, sales of goods and other services. Our 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 our Group's activities, as described below.

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Toll Income from the Expressway Business

Toll income from the Expressway Business is recognised when the vehicles pass the Jihe Expressway and our Company received the payment or has the right to receive payment.

Service Income

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

Sales of Goods

Our Group operated gas stations for selling petrochemical, oil and gas and other products. Sales were recognised when our products were delivered to our customers.

Rental Income

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

Concession Intangible Assets and Service Concession Arrangements

Our Company has entered into the Concession Agreement with the Shandong Transport Department (as authorised by the Shandong Provincial Government) on 26 September 2004 to obtain the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) 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 for vehicles) pursuant to the Concession Agreement. The Shandong Provincial Government controls or regulates the construction, maintenance, operation and management services our Group must provide with the Jihe Expressway, to whom our Group must provide such services, and at prices regulated by the Shandong Provincial Government.

According to HK(IFRIC)-Int12, our Group recorded the Jihe Expressway and its ancillary facilities as “concession intangible assets” on our consolidated financial statements, to the extent that it received a contractual right to charge users of the Jihe Expressway. Concession intangible assets are stated at the construction cost of the Jihe Expressway and its ancillary facilities less accumulated amortisation and impairment losses. The amortisation of concession intangible assets is calculated using the straight-line method to allocate the costs from 28 September 2007 (the date when the Jihe Expressway was officially put into service) over the Concession Period to be expired 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.

The Jihe Expressway was no longer in pre-operational stage since it officially opened to traffic on 28 September 2007, therefore, no construction activities had taken place during the Track Record Period. In light of this, no construction revenue/costs was recognised during the Track Record Period, and thus no mismatch in the recognition of construction

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revenue/costs and the underlying cash flows during the Track Record Period. Our Company recognised revenue from toll road operation when the vehicles pass through the Jihe Expressway, the toll revenue has been collected in cash or receivable from Shandong Transport Department. As the toll income receivable from Shandong Transport Department were generally settled within three months and given the Jihe Expressway is in the operational stage, there does not exist significant mismatch between the recognition of our revenue and the underlying cash flows during the Track Record Period.

The Concession Period is approved by the Shandong Provincial Government therefore our Group does not have the renewal or termination option for the Concession Period. The Shandong Provincial Government restricts our Group's practical ability to sell or pledge the Jihe Expressway that give our Group continuing right of use throughout the period of the concession arrangement. Upon the expiry of the Concession Period, our Group shall return the concession intangible assets to the Shandong Provincial Government, and our Group is required to operate, maintain and repair such concession intangible assets as prescribed under the applicable laws of toll roads, and make sure they are in good technical conditions. The Shandong Provincial Government controls, through ownership, any significant residual interest in the Jihe Expressway, and our Group does not have rights to receive any specific assets at the end of the Concession Period.

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).

Provisions

Pursuant to the Concession Agreement, our Group assumes the maintenance and resurfacing obligations of the Jihe Expressway during the Concession Period. Provisions for maintenance and resurfacing are recognised when our 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.

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, are taken into account as a whole in reaching the best estimate of a provision.

The carrying amounts of provisions are reviewed at each balance sheet date of our financial statements and adjusted to reflect the current best estimate.

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Discontinued Operations

A discontinued operation is a component of our Group's business, the operations and cash flows of which can be clearly distinguished from the rest of our Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, a single amount is presented in the consolidated statements of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Our accounting policies and estimates are set out in details in note 2 to the Accountant's Report as set out in Appendix I to this prospectus.

DESCRIPTION OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Continuing Operations

The following table sets out the results of our Continuing Operations during the Track Record Period, which is extracted from the Accountant's Report as set out in the Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue.	861,949	999,846	1,045,060
Cost of sales	<u>(382,531)</u>	<u>(297,496)</u>	<u>(292,850)</u>
Gross profit	479,418	702,350	752,210
Administrative expenses	(46,030)	(44,837)	(48,242)
Other gains — net	<u>339</u>	<u>761</u>	<u>5,397</u>
Operating profit	433,727	658,274	709,365
Finance costs — net	<u>(96,899)</u>	<u>(68,992)</u>	<u>(42,832)</u>
Profit before income tax	336,828	589,282	666,533
Income tax expense.	<u>(84,557)</u>	<u>(147,479)</u>	<u>(167,661)</u>
Profit for the year from Continuing Operations . .	<u><u>252,271</u></u>	<u><u>441,803</u></u>	<u><u>498,872</u></u>

Revenue

During the Track Record Period, almost all of our revenue was derived from our Expressway Business, and a majority of which is generated from tolls collected from the users of the Jihe Expressway. Toll income principally depends on the applicable toll rates, traffic flow, mix of vehicles and distance travelled. In addition to the toll income, we also recorded rental income from leasing the communication pipes along the Jihe Expressway

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and service income from the road clearance services for the traffic accidents from the Expressway Business. Revenue from our Advertisement Business is mainly derived from advertisement publication services and leasing advertisement billboards along both sides of the Jihe Expressway. The following table sets out the breakdown of revenue from our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expressway Business			
— Toll income	858,862	994,373	1,037,932
— Rental income	2,284	2,331	3,185
— Others	365	457	500
Advertisement Business	438	2,685	3,443
Total	<u>861,949</u>	<u>999,846</u>	<u>1,045,060</u>

Cost of Sales and Gross Profit

During the Track Record Period, cost of sales of our Continuing Operations comprised mainly amortisation of concession intangible assets, maintenance costs and provisions, employee benefit expenses, depreciation of property, plant and equipment and other tax and surcharge. The following table sets out the breakdown of cost of sales of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of concession intangible assets . . .	166,366	170,266	170,377
Maintenance costs and provisions	145,069	71,601	71,686
Employee benefit expenses	28,862	32,189	35,284
Depreciation of property, plant and equipment .	1,655	1,512	3,028
Other tax and surcharges	32,171	14,098	7,403
Others	8,408	7,830	5,072
Total	<u>382,531</u>	<u>297,496</u>	<u>292,850</u>

Amortisation of concession intangible assets, maintenance costs and provisions and employee benefit expenses are the three major components of cost of sales of our Continuing Operations. Our amortisation of concession intangible assets was fixed cost in nature, since our concession intangible assets were amortised by using straight-line method over the Concession Period. Our maintenance costs and provisions represent the costs and provisions made for repair and maintenance of the Jihe Expressway, which varies according to the schedule of our maintenance and improvement works of the Jihe Expressway and has significant impact on our gross profit and net profit. Employee benefit expenses include salaries and bonuses, social insurance expense (including medical insurance premiums, work-related injury insurance premiums and maternity insurance premiums), defined contribution plans (including basic pension insurance, unemployment insurance and enterprise annuity) and employee benefit expenses of our frontline employees. During the

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Track Record Period, the number of our frontline employees remained stable. The slight increase in our employee benefit expenses during the Track Record Period was due to certain increase in salaries of our employees. Other tax and surcharges mainly refer to business tax and surcharges. It included business tax, city maintenance and construction tax, education surcharge and other taxes before April 2016, while from May 2016 onwards, city maintenance and construction tax, education surcharges as well as other taxes were included, as business tax had been replaced by value-added tax in the PRC.

The following table sets out our gross profit and gross profit margin of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit	479,418	702,350	752,210
Gross profit margin	55.6%	70.2%	72.0%

Gross profit from our Continuing Operations was approximately RMB479.4 million, RMB702.4 million and RMB752.2 million for the three years ended 31 December 2017, respectively, and gross profit margin of approximately 55.6%, 70.2% and 72.0% during the corresponding periods. Please refer to the sub-section headed “Financial Information — Results of Continuing Operations” in this prospectus for the detailed analysis of gross profit and gross profit margin.

Other Gains — Net

During the Track Record Period, other gains of our Continuing Operations comprised mainly gains on disposals of property, plant and equipment, compensation income from road damages. Other losses of our Continuing Operations comprised mainly losses on disposals of property, plant and equipment and donations. The following table sets out the breakdown of other gains — net of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/Gains on disposals of property, plant and equipment	(449)	(372)	2,804
Compensation income from road damages	585	1,203	1,403
Donations	(96)	(124)	(39)
Others	299	54	1,229
Total	339	761	5,397

Compensation income from road damages represents compensation payable to us for damage of facilities on the Jihe Expressway, such as guardrail, caused by accidents. Gains on disposals of property, plant and equipment for the year ended 31 December 2017 was mainly the gain arising from disposal of certain properties in April 2017.

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Administrative Expenses

During the Track Record Period, administrative expenses of our Continuing Operations comprised mainly employee benefit expenses for employees at the headquarters, depreciation of property, plant and equipment, transportation expenses and listing expenses. During the Track Record Period, there was no material change in our administrative expenses. The following table sets out the breakdown of administrative expenses of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	26,485	25,192	29,988
Depreciation of property, plant and equipment	10,117	10,591	7,753
Transportation expenses	1,960	1,574	1,037
Property services charges	1,230	954	987
Energy expenses	662	685	675
Office and conference expenses	566	726	626
Auditors' remuneration	30	600	250
Listing expenses	—	2,584	5,009
Bank charges	218	268	289
Other	4,762	1,663	1,628
Total	46,030	44,837	48,242

Finance Costs — Net

During the Track Record Period, finance costs of our Continuing Operations represented mainly interest expenses incurred for the bank borrowings denominated in RMB. Finance income of our Continuing Operations represented mainly interest income on bank deposits. The following table sets out the breakdown of finance costs — net of our Continuing Operations during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs	(98,448)	(70,681)	(47,428)
Finance income	1,549	1,689	4,596
Total	(96,899)	(68,992)	(42,832)

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Income Tax Expense

During the Track Record Period, income tax expense of our Continuing Operations comprised current income tax and deferred income tax. The following table sets out the breakdown of income tax expense of our Continuing Operation during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	97,324	143,499	171,386
Deferred income tax	(12,767)	3,980	(3,725)
Total	84,557	147,479	167,661

We are subject to the PRC enterprise income tax at a rate of 25.0% (the “**PRC EIT Rate**”) under the PRC Enterprise Income Tax Law and the Implementation Rules of the Enterprise Income Tax Law. Our effective tax rates for the three years ended 31 December 2017 remained stable at approximately 25.0%, which were consistent with the PRC EIT Rate.

Discontinued Operations

The following table sets out the financial results of our Discontinued Operations during the Track Record Period, which is extracted from the Accountant’s Report as set out in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	371,090	318,499	112,500
Expenses	(369,799)	(309,367)	(106,653)
Profit before tax of Discontinued Operations . . .	1,291	9,132	5,847
Tax on profit	(400)	(2,260)	(1,960)
Profit after tax of Discontinued Operations	891	6,872	3,887
Profit on disposal	—	—	43,630
Including:			
— <i>Gain on disposals of our property, plant and equipment before tax</i>	—	—	23,983
— <i>Gain on disposal of our investment properties before tax</i>	—	—	13,738
— <i>Gain on disposal of our subsidiaries before tax</i>	—	—	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	891	6,872	32,032

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In April 2017, our Company underwent the Subsidiary and Asset Restructuring as a part of the Reorganisation for the purpose of the Listing and enabling us to focus on our Expressway Business and Advertisement Business. Under the Subsidiary and Asset Restructuring, 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 Qilu Service Development. Jihe Petroleum is principally engaged in the operation of gas stations along the Jihe Expressway for retail of petroleum, gas and oil products. Jihe Service is principally engaged in provision of services, including vehicle parking, vehicle repair, catering services and supermarket operation in the Service Areas and Parking Areas. 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. Please refer to the sub-section headed "History, Development and Group Structure — The Reorganisation — Subsidiary and Asset Restructuring" in this prospectus for more information.

During the Track Record Period, revenue from our Discontinued Operations decreased by approximately 14.2% from approximately RMB371.1 million for the year ended 31 December 2015 to approximately RMB318.5 million for the year ended 31 December 2016. The decrease was mainly due to (i) the significant decrease in refined oil price; and (ii) decrease in sales of refined oil as we had a lack of competitive advantages in the prices of petrochemical, oil and gas offered by our suppliers, which were higher than those of our competitors. Revenue from our Discontinued Operations decreased by approximately 64.7% from approximately RMB318.5 million for the year ended 31 December 2016 to approximately RMB112.5 million for the year ended 31 December 2017, as the entire equity interests in Jihe Service and all of our 51.00% equity interests in Jihe Petroleum was disposed of in April 2017, and only four month revenues from January to April 2017 was included in the financial information of our Discontinued Operations.

Our Discontinued Operations recorded net profit of approximately RMB0.9 million, RMB6.9 million and RMB32.0 million for the three years ended 31 December 2017, respectively. The significant amount of the net profit for the year ended 31 December 2017 was mainly contributed by the one-off gain from the disposal of the equity interests in our subsidiaries and certain ancillary facility assets along the Jihe Expressway amounting to approximately RMB43.6 million. Net profit margins of our Discontinued Operations were approximately 0.2%, 2.2% and 28.5% for the three years ended 31 December 2017, respectively. The increase in net profit margin for the year ended 31 December 2016 was mainly due to the significant decrease in cost of sales for the same year, which was contributed by the falling prices of petrochemical, oil and gas along with the falling price of oil controlled by NDRC. Although our resale prices of petrochemical, oil and gas were also affected by the falling oil price, the costs of sales decreased at a larger scale which leads to an increase in the net profit margin for the year ended 31 December 2016. For the year ended 31 December 2017, the significant increase in our net profit margin was mainly due to the one-off gain from the disposal of the equity interests in our subsidiaries and certain ancillary facility assets along the Jihe Expressway. Net profit margin and net profit contribution of our Discontinued Operations were both lower than those of our Continuing Operations.

RESULTS OF CONTINUING OPERATIONS

Year Ended 31 December 2016 Compared with Year Ended 31 December 2015

Revenue

Revenue from our Continuing Operations increased by approximately RMB137.9 million, or approximately 16.0%, from approximately RMB861.9 million for the year ended 31 December 2015 to approximately RMB999.8 million for the year ended 31 December 2016. The increase in revenue was primarily driven by the increase in traffic flow, which was in turn mainly due to the combined effect of (i) traffic flow of the Jihe Expressway grew naturally along with the economic growth of Shandong Province; and (ii) the Jihe Expressway entered into the development stage, and its traffic flow maintained steady annual growth. For more details of the reasons of the increase of traffic flow of the Jihe Expressway during the period, please refer to the sub-section headed “Business — Expressway Operations — Historical Traffic Flow — Fluctuations of the traffic flow of the Jihe Expressway — Year ended 31 December 2016 compared with year ended 31 December 2015” in this prospectus.

Cost of Sales

Cost of sales of our Continuing Operations decreased by approximately RMB85.0 million, or approximately 22.2%, from approximately RMB382.5 million for the year ended 31 December 2015 to approximately RMB297.5 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in road maintenance costs for the year ended 31 December 2016 as only regular preventive road maintenance works were carried out in 2016, while extensive road maintenance works amounting to approximately RMB81.6 million were carried out for the year ended 31 December 2015.

Gross Profit and Gross Profit Margin

Gross profit of our Continuing Operations increased by approximately RMB223.0 million, or approximately 46.5%, from approximately RMB479.4 million for the year ended 31 December 2015 to approximately RMB702.4 million for the year ended 31 December 2016, and our gross profit margin increased by approximately 14.6 percentage points from approximately 55.6% for the year ended 31 December 2015 to approximately 70.2% for the year ended 31 December 2016. The increases in gross profit and gross profit margin of our Continuing Operations were mainly due to the combined effect of (i) the increase of the revenue for the year ended 31 December 2016 resulting from the increase in traffic flow of the Jihe Expressway; and (ii) the decrease in road maintenance costs for the year ended 31 December 2016 as only regular preventive road maintenance works were carried out in 2016, while extensive road maintenance works amounting to approximately RMB81.6 million were carried out for the year ended 31 December 2015.

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Administrative Expenses

Administrative expenses of our Continuing Operations remained relatively stable at approximately RMB44.8 million for the year ended 31 December 2016 as compared to approximately RMB46.0 million for the year ended 31 December 2015.

Other Gains — Net

Other gains — net of our Continuing Operations increased by approximately RMB0.5 million, or approximately 166.7%, from approximately RMB0.3 million for the year ended 31 December 2015 to approximately RMB0.8 million for the year ended 31 December 2016, which was mainly due to the increase in compensation income received from accidents for damages of road facilities.

Finance Costs — Net

Finance costs — net of our Continuing Operations decreased by approximately RMB27.9 million, or approximately 28.8%, from approximately RMB96.9 million for the year ended 31 December 2015 to approximately RMB69.0 million for the year ended 31 December 2016. The decrease was mainly due to repayment of our bank borrowings.

Income Tax Expense

Income tax expense of our Continuing Operations increased by approximately RMB62.9 million, or approximately 74.3%, from approximately RMB84.6 million for the year ended 31 December 2015 to approximately RMB147.5 million for the year ended 31 December 2016. The significant increase in income tax expense was due to the increase in profit before income tax by approximately RMB252.5 million, or approximately 75.0%, from RMB336.8 million for the year ended 31 December 2015 to approximately RMB589.3 million for the year ended 31 December 2016. The effective tax rate remained stable at approximately 25.0%.

Profit for the Year from Continuing Operations

As a result of the foregoing, profit for the year from Continuing Operations increased by approximately RMB189.5 million, or approximately 75.1%, from approximately RMB252.3 million for the year ended 31 December 2015 to approximately RMB441.8 million for the year ended 31 December 2016.

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Year Ended 31 December 2017 Compared with Year Ended 31 December 2016

Revenue

Revenue from our Continuing Operations increased by approximately RMB45.3 million, or approximately 4.5%, from approximately RMB999.8 million for the year ended 31 December 2016 to approximately RMB1,045.1 million for the year ended 31 December 2017. The increase in revenue was primarily driven by the increase in traffic flow of the Jihe Expressway, which was mainly due to the combined effect of (i) traffic flow of the Jihe Expressway grew naturally along with the economic growth of Shandong Province; and (ii) the Jihe Expressway entered into the development stage, and its traffic flow maintained steady annual growth. For more details of the reasons of the increase of traffic flow of the Jihe Expressway during the period, please refer to the sub-section headed “Business — Expressway Operations — Historical Traffic Flow — Fluctuations of the traffic flow of the Jihe Expressway — Year ended 31 December 2017 compared with year ended 31 December 2016” in this prospectus.

Cost of Sales

Cost of sales of our Continuing Operations decreased by approximately RMB4.6 million, or approximately 1.5%, from approximately RMB297.5 million for the year ended 31 December 2016 to approximately RMB292.9 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in other tax and surcharges of our Continuing Operations for the year ended 31 December 2017 as compared with last year.

Gross Profit and Gross Profit Margin

Gross profit of our Continuing Operations increased by approximately RMB49.8 million, or approximately 7.1%, from approximately RMB702.4 million for the year ended 31 December 2016 to approximately RMB752.2 million for the year ended 31 December 2017, and our gross profit margin increased by approximately 1.8 percentage points from approximately 70.2% for the year ended 31 December 2016 to approximately 72.0% for the year ended 31 December 2017. The increase in gross profit and gross profit margin of our Continuing Operations were mainly due to the increase in revenue for the year ended 31 December 2017 resulting from the increase in traffic flow of the Jihe Expressway.

Administrative Expenses

Administrative expenses of our Continuing Operations increased by approximately RMB3.4 million, or approximately 7.6%, from approximately RMB44.8 million for the year ended 31 December 2016 to approximately RMB48.2 million for the year ended 31 December 2017. The increase was mainly due to the increase in employee benefit expenses by approximately RMB4.8 million for the year ended 31 December 2017 as compared to last year.

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Other Gains — Net

Other gains — net of our Continuing Operations increased by approximately RMB4.6 million, or approximately 575.0%, from approximately RMB0.8 million for the year ended 31 December 2016 to approximately RMB5.4 million for the year ended 31 December 2017. The significant increase was mainly contributed by the gains arising from disposal of certain properties in April 2017.

Finance Costs — Net

Finance costs — net of our Continuing Operations decreased by approximately RMB26.2 million, or approximately 38.0%, from approximately RMB69.0 million for the year ended 31 December 2016 to approximately RMB42.8 million for the year ended 31 December 2017. The decrease was mainly due to repayment of our bank borrowings.

Income Tax Expense

Income tax expense of our Continuing Operations increased by approximately RMB20.2 million, or approximately 13.7%, from approximately RMB147.5 million for the year ended 31 December 2016 to approximately RMB167.7 million for the year ended 31 December 2017. The increase in income tax expense was due to the increase in profit before income tax by approximately RMB77.2 million, or approximately 13.1%, from approximately RMB589.3 million for the year ended 31 December 2016 to approximately RMB666.5 million for the year ended 31 December 2017. The effective tax rate remained stable at approximately 25.0%.

Profit for the Year from Continuing Operations

As a result of the foregoing, profit for the year from our Continuing Operations increased by approximately RMB57.1 million or approximately 12.9%, from approximately RMB441.8 million for the year ended 31 December 2016 to approximately RMB498.9 million for the year ended 31 December 2017.

SENSITIVITY ANALYSIS

Cost of sales of our Continuing Operations comprised mainly depreciation and amortisation, maintenance costs and provisions, employee benefit expenses for frontline employees and other tax and surcharges. Amortisation of concession intangible assets is the largest component of cost of sales of our Continuing Operations. For the three years ended 31 December 2017, amortisation of concession intangible assets amounted to approximately RMB166.4 million, RMB170.3 million and RMB170.4 million, respectively, representing approximately 43.5%, 57.2% and 58.2% of total cost of sales of our Continuing Operations, respectively. As our concession intangible assets was amortised by using straight-line method over the Concession Period and no material construction costs was incurred for the Jihe Expressway or its relevant infrastructures, the amortisation of concession intangible assets remained relatively stable during the Track Record Period.

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Our maintenance costs and provisions and employee benefit expenses are the second and third largest components of cost of sales of our Continuing Operations. Our maintenance costs and provisions represented mainly expenditures incurred or provided for maintenance and improvement works at the Jihe Expressway. The amount of maintenance costs and provisions depends on the schedule of maintenance and improvement works at the Jihe Expressway and contracting costs for the maintenance and improvement works, which depend on the raw material costs and labour costs incurred by contractors. For the three years ended 31 December 2017, our maintenance costs and provisions amounted to approximately RMB145.1 million, RMB71.6 million and RMB71.7 million, representing approximately 37.9%, 24.1% and 24.5% of total cost of sales of our Continuing Operations, respectively.

Employee benefit expenses represent the salaries and bonuses, social insurance and benefit expenses and other expenses of frontline employees. Our employee benefit expenses depend mainly on salary level and number for our frontline employees. For the three years ended 31 December 2017, our employee benefit expenses of frontline employees amounted to approximately RMB28.9 million, RMB32.2 million and RMB35.3 million, representing approximately 7.5%, 10.8% and 12.0% of total cost of sales of our Continuing Operations, respectively.

Since the amortisation of our concession intangible assets is fixed cost in nature, no material fluctuation in the amount of the amortisation is expected in the future unless we will incur material construction costs for the Jihe Expressway or its relevant infrastructures. In light of this, we only conduct sensitivity analysis of the estimated increase/decrease in net profit of our Continuing Operations for percentage changes of (i) maintenance costs and provisions; and (ii) employee benefit expenses. The analyses are intended for reference only, and any variation may differ from the amounts indicated.

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Maintenance Costs and Provisions

The sensitivity analysis assumes that the only variable that changes is maintenance costs and provisions while other variables remain unchanged. The changes in maintenance costs and provisions are assumed to be 5.0% and 8.0% which are determined with reference to the growth rate of the average costs of maintenance and repair projects of expressway in Shandong Province in the past five years as shown in the Frost & Sullivan Report, which are considered reasonable for this sensitivity analysis.

	Year ended 31 December		
	2015	2016	2017
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	<u>in net profit</u>	<u>in net profit</u>	<u>in net profit</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical increase/(decrease) in maintenance costs and provisions			
8.0%	(8,704)	(4,296)	(4,301)
5.0%	(5,440)	(2,685)	(2,688)
(5.0)%	5,440	2,685	2,688
(8.0)%	8,704	4,296	4,301

Employee Benefit Expenses

The sensitivity analysis assume that the only variable that changes is the employee benefit expenses of frontline employees while other variables remain unchanged. The changes in employee benefit expenses are assumed to be 6.0% and 11.0% which are determined with reference to the growth rate of average salary of employees in transportation, storage and courier services sector in Shandong Province in the past five years as shown in the Frost & Sullivan Report, which are considered reasonable for this sensitivity analysis.

	Year ended 31 December		
	2015	2016	2017
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	<u>in net profit</u>	<u>in net profit</u>	<u>in net profit</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical increase/(decrease) in employee benefit expenses			
11.0%	(2,381)	(2,656)	(2,911)
6.0%	(1,299)	(1,449)	(1,588)
(6.0)%	1,299	1,449	1,588
(11.0)%	2,381	2,656	2,911

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LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash generated from our operations and bank borrowings. Our primary liquidity requirements are to fund our operations, capital expenditures and payments of principal and interest due on our bank borrowings. Following completion of the Global Offering, we expect to fund our future operations and expansion plans principally with cash generated from our Continuing Operations, net proceeds from the Global Offering, bank borrowings and other funds raised from capital markets, as and when necessary.

Cash Flow

The following table sets out a condensed summary of our consolidated statements of cash flows during the Track Record Period which are extracted from the Accountant's Report as set out in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities . . .	546,843	757,987	675,640
Net cash (used in)/generated from investing activities	(41,149)	(18,426)	188,480
Net cash used in financing activities	(578,692)	(427,625)	(815,834)
Net (decrease)/increase in cash and cash equivalents	(72,998)	311,936	48,286
Cash and cash equivalents at the beginning of the year	128,611	55,613	367,549
Cash and cash equivalents at the end of the year .	55,613	367,549	415,835

Net Cash generated from Operating Activities

Our cash inflow from operating activities was mainly generated from our Expressway Business.

The net cash generated from operating activities increased by approximately RMB211.2 million, or approximately 38.6%, from approximately RMB546.8 million for the year ended 31 December 2015 to approximately RMB758.0 million for the year ended 31 December 2016. The increase was mainly due to an increase in operating cash inflow before changes in working capital of approximately RMB235.5 million as a result of (i) an increase in toll income from our Expressway Business; and (ii) prompt settlement of trade receivables by Expressway Toll Settlement Centre, which was partially offset by an increase in income tax paid of approximately RMB48.1 million. The increase in toll income for the year ended 31 December 2016 was mainly contributed by increase in traffic flow of the Jihe Expressway.

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The net cash generated from operating activities decreased by approximately RMB82.4 million, or approximately 10.9%, from approximately RMB758.0 million for the year ended 31 December 2016 to approximately RMB675.6 million for the year ended 31 December 2017. The decrease was mainly due to the increase in income tax paid of approximately RMB63.5 million and decrease in cash generated from our operations by approximately RMB21.6 million.

Net cash used in/generated from Investing Activities

Our cash used in investing activities was mainly used for the purchases of long-term assets. Our cash generated from investing activities represented mainly the proceeds from the disposal of investment properties and property, plant and equipment.

Our Group had net cash used in investing activities of approximately RMB41.1 million and RMB18.4 million for the years ended 31 December 2015 and 2016, respectively. The net cash used in investing activities reflected our Group's continuous investment in the fixed assets to provide high-quality services and safety driving experience to the users of the Jihe Expressway. The relatively small amount of net cash used in investing activities for the year ended 31 December 2016 was due to lesser investment in fixed assets during that year.

Our Group had a net cash generated from investing activities of approximately RMB188.5 million for the year ended 31 December 2017, and the net cash generated was mainly contributed by the cash inflow from disposal of investment properties and property, plant and equipment pursuant to the Subsidiary and Asset Restructuring.

Net cash used in Financing Activities

Our cash outflow from financing activities represented mainly cash used for payment of dividends to our Shareholders, repayment of bank borrowings and interest payment; cash inflow from financing activities was mainly from refinancing of bank borrowings.

The net cash used in financing activities decreased by approximately RMB151.1 million, or approximately 26.1%, from approximately RMB578.7 million for the year ended 31 December 2015 to approximately RMB427.6 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in dividends paid to our Shareholders by approximately RMB116.4 million as compared to that for the year ended 31 December 2015 and the decrease in interest payment due to the repayment of bank borrowings in 2016.

The net cash used in financing activities increased by approximately RMB388.2 million, or approximately 90.8%, from approximately RMB427.6 million for the year ended 31 December 2016 to approximately RMB815.8 million for the year ended 31 December 2017. The increase was mainly due to the increase in the repayment of bank borrowings and increase in payment of dividends to our Shareholders for the year ended 31 December 2017.

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CURRENT ASSETS AND CURRENT LIABILITIES

Our current assets as at 31 December 2015, 2016 and 2017 mainly comprised inventories, trade and other receivables, cash and cash equivalents and non-current assets held for sale. Our current liabilities as at 31 December 2015, 2016 and 2017 mainly comprised trade and other payables, tax payables, short-term borrowings and provisions. The following table sets out our current assets, current liabilities and net current liabilities/assets as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Current assets				
Inventories	4,920	6,102	1,553	1,283
Trade and other receivables	179,506	184,794	204,255	156,556
Cash and cash equivalents	55,613	367,549	415,835	577,189
Non-current assets held for sale	—	69,117	—	—
	<u>240,039</u>	<u>627,562</u>	<u>621,643</u>	<u>735,028</u>
Current liabilities				
Trade and other payables	137,235	129,935	158,046	88,238
Current income tax liabilities	33,447	37,659	21,155	9,924
Borrowings	230,000	375,000	285,000	335,000
Provisions	33,355	64,145	97,230	111,230
	<u>434,037</u>	<u>606,739</u>	<u>561,431</u>	<u>544,392</u>
Net current (liabilities)/assets	<u>(193,998)</u>	<u>20,823</u>	<u>60,212</u>	<u>190,636</u>

Our net current liabilities of approximately RMB194.0 million as at 31 December 2015 improved to net current assets of approximately RMB20.8 million as at 31 December 2016. The increase was mainly attributable to an increase in cash and cash equivalents of approximately RMB311.9 million. In addition, we entered into an irrevocable agreement on 24 October 2016 to dispose of an office building together with the respective non-removable office and other equipment installed in the building. Therefore, relevant assets with a book value of approximately RMB69.1 million were reclassified from fixed assets to current assets as non-current assets held for sale. However, the increase in current assets was partially offset by the increase in short-term borrowings of approximately RMB145.0 million. The increase in cash and cash equivalents was mainly attributable to the increase in cash inflows from operations and the decrease in payment of dividends to our Shareholders. The increase in short-term borrowings was mainly due to reclassification of certain long-term borrowings as at 31 December 2015 to short-term borrowings as at 31 December 2016 as the borrowings became due within one year.

Our net current assets position of approximately RMB20.8 million as at 31 December 2016 further improved to approximately RMB60.2 million as at 31 December 2017. The improvement was mainly attributable to the decrease in short-term borrowings of approximately RMB90.0 million resulting from repayment of our bank borrowings.

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Working Capital

Our Directors are of opinion that taking into account of the financial resources available to our Group, including the internal generated cash, bank borrowings and the estimated net proceeds from the Global Offering, our Group has sufficient working capital for its present requirements for at least 12 months from the date of this prospectus.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment comprised mainly buildings, ancillary equipment, machineries, motor vehicles, office and other equipment and construction-in-progress. Our property, plant and equipment was approximately RMB240.1 million, RMB158.0 million and RMB138.8 million as at 31 December 2015, 2016 and 2017, respectively. The decrease in the balance of our property, plant and equipment of approximately RMB82.1 million as at 31 December 2016 was mainly due to the fact that we entered into an irrevocable agreement on 24 October 2016 to dispose of an office building together with the respective non-removable office and other equipment installed in the building, with a book value of approximately RMB69.1 million. Therefore, relevant assets were reclassified from fixed assets to current assets as non-current assets held for sale. The balance of our property, plant and equipment remained stable as at 31 December 2017 as compared with the balance as at 31 December 2016.

Concession Intangible Assets

In September 2004, we and the Shandong Transport Department entered into the Concession Agreement, pursuant to which we were granted the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) maintain, operate and manage the Jihe Expressway and its ancillary facilities pursuant to the Concession Agreement. The Concession Agreement is based on the Build — Operate — Transfer model. Upon the expiry of the Concession Period, our Company will hand over the Jihe Expressway (free from any mortgage, pledge or other legal encumbrances) and transfer all other rights and interests of the underlying assets held by our Company to the Shandong Transport Department without any remuneration. The Concession Agreement does not contain a renewal right.

The construction cost of the Jihe Expressway and relevant infrastructures was capitalised as concession intangible assets which is amortised over the Concession Period by using straight-line method. As at 31 December 2015, 2016 and 2017, we recorded concession intangible assets of approximately RMB3,148.4 million, RMB2,991.7 million and RMB2,873.7 million, respectively. The relevant amortisation of concession intangible assets were RMB166.4 million, RMB170.3 million and RMB170.4 million for the three years ended 31 December 2017, respectively.

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During the Track Record Period, our Directors are of the view that no impairment indication existed on each balance sheet date and accordingly, no impairment test pursuant to HKAS 36 has been performed on the concession intangible assets and no impairment loss was recognised for the concession intangible assets.

Inventories

Our inventories mainly represented petrochemical, oil and gas for resale in gas stations along the Jihe Expressway and the materials and spare parts commonly used for road repair and maintenance. The following tables set out the breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Petrochemical, oil and gas for resale.	4,487	5,358	—
Materials and spare parts for toll roads repair and maintenance	433	744	1,553
Total	4,920	6,102	1,553

Our inventories increased from approximately RMB4.9 million as at 31 December 2015 to approximately RMB6.1 million as at 31 December 2016. The increase was mainly due to the quantity of petrochemical, oil and gas delivered to gas stations from our suppliers increased as compared with the previous year. Our inventories decreased from approximately RMB6.1 million as at 31 December 2016 to approximately RMB1.6 million as at 31 December 2017. The significant decrease in our inventories was due to the disposal of the entire equity interests in Jihe Service and all of our 51.00% equity interests of Jihe Petroleum in April 2017, as a result of which the inventories of Jihe Service and Jihe Petroleum were not included in our consolidated financial statements as at 31 December 2017.

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The following table sets out our inventory turnover days during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
Inventory turnover days <i>(Notes 1 and 2)</i>	3	7	—

Notes:

1. Inventory turnover days are calculated by dividing the average inventory balance by cost of inventories recognised as expenses and multiplied by the number of days during the year (i.e. 365 days for the year ended 31 December 2015 and 2017, 366 days for the year ended 31 December 2016). Average inventory balance is the average of the inventory balances (excluding materials for road maintenance) at the beginning and end of the relevant year.
2. Materials for road maintenance are excluded from calculation of inventory turnover days, as they are not regarded as merchandise.

The level of our inventories and our inventory turnover days remained low during the Track Record Period, since our strategy is to maintain a minimal level of inventories in order to minimise our risk of exposure to obsolete inventories and reduce our working capital requirement. Our inventories were approximately RMB4.9 million, RMB6.1 million and RMB1.6 million as at 31 December 2015, 2016 and 2017, respectively. Our inventory turnover days for the years ended 31 December 2015 and 2016 were approximately 3 days and 7 days, respectively. No inventory turnover days for the year ended 31 December 2017 was calculated, since the merchandise of Jihe Petroleum and Jihe Service was not included in our consolidated financial statements after disposal of the entire equity interests in Jihe Service and all of our 51.00% equity interests in Jihe Petroleum under the Subsidiary and Asset Restructuring in April 2017. As at the Latest Practicable Date, approximately 36.1% of inventories as at 31 December 2017 were subsequently utilised.

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Trade and Other Receivables

The following table sets out the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	162,970	148,504	181,347
Amounts due from related companies	10,000	15,616	5,422
Other receivables and prepayment	16,536	26,674	20,908
	189,506	190,794	207,677
Less non-current portion:			
— Amounts due from related companies	(10,000)	(6,000)	(3,422)
Current portion	179,506	184,794	204,255

Trade Receivables

Our trade receivables represented mainly the toll receivables which is the toll income temporarily held by the Expressway Toll Settlement Centre. The Expressway Toll Settlement Centre computes the monthly toll income entitlement for each expressway operator in Shandong Province based on the traffic records of the provincial toll collection system. The toll income is subsequently transferred to each expressway operator by cheques in two to three months. In addition to the toll receivables, our trade receivables also included the receivables from sale of petrochemical, oil and gas. The balances of the trade receivables from sale of our petrochemical, oil and gas as at 31 December 2015, 2016 and 2017 were significantly lower than those of the toll receivables, as payment for petrochemical, oil and gas was usually settled by cash or prepaid cards.

The following table sets out the aging analysis of our trade receivables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	162,970	148,504	181,347

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Our trade receivables decreased from approximately RMB163.0 million as at 31 December 2015 to approximately RMB148.5 million as at 31 December 2016, mainly due to the fact that our toll receivables from the Expressway Toll Settlement Centre for the three months of October, November and December 2015 were included in the balance of our trade receivables as at 31 December 2015, whereas the balance of our trade receivables as at 31 December 2016 only included our toll receivables from the Expressway Toll Settlement Centre for two months of November and December in the same year. Our trade receivables increased from approximately RMB148.5 million as at 31 December 2016 to approximately RMB181.3 million as at 31 December 2017, mainly due to the fact that the balance of our trade receivables as at 31 December 2017 included our toll receivables from the Expressway Toll Settlement Centre for three months of October, November and December in the same year.

During the Track Record Period, our Directors are of the view that no provision for impairment is necessary for our trade receivables as the balances are still considered fully recoverable after detailed assessment by our Directors. Our Group did not hold any collateral or other credit enhancements over these balances. As at the Latest Practicable Date, approximately 100% of the trade receivables as at 31 December 2017 have been recovered.

The following table sets out our turnover days of trade receivables during the Track Record Period:

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Turnover days of trade receivables ^(Note)	<u>42</u>	<u>43</u>	<u>52</u>

Note: Turnover days of trade receivables are calculated by dividing the average balance of trade receivables by the revenue of the relevant year (inclusive of our Discontinued Operations) and then multiplying the number of days during the year (i.e. 365 days for the years ended 31 December 2015 and 2017, 366 days for the year ended 31 December 2016). Average balance of trade receivables is the average of the balances of trade receivables at the beginning and end of the relevant year.

During the Track Record Period, there was no material change in our charging model. In 2015 and 2016, our turnover days of trade receivables remained relatively stable at approximately 42 days or 43 days. Our turnover days of trade receivables increased to approximately 52 days for the year ended 31 December 2017, which was mainly due to the combined effect of (i) relatively late settlement of toll receivables for October 2017 from the Expressway Toll Settlement Centre; and (ii) decrease in the total revenue of our Group (inclusive of our Discontinued Operations) from approximately RMB1,316.8 million for the year ended 31 December 2016 to approximately RMB1,157.0 million for the year ended 31 December 2017 as we disposed of the entire equity interests in Jihe Service and all of our 51.00% equity interests of Jihe Petroleum in April 2017. Since then the financial results of Jihe Service and Jihe Petroleum have not been consolidated into the consolidated financial statement of our Group.

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Amounts due from Related Companies

Our amounts due from related companies of approximately RMB10.0 million as at 31 December 2015 was the amounts due from Shandong Institute of Highway Technician. Our amounts due from related companies of approximately RMB15.6 million as at 31 December 2016 mainly included the withholding income tax for one of our Shareholders of approximately RMB7.6 million generated from the capital injection in 2016 and amounts due from Shandong Institute of Highway Technician of approximately RMB8.0 million. Our amounts due from related companies decreased by approximately RMB10.2 million, or approximately 65.4%, from approximately RMB15.6 million as at 31 December 2016 to approximately RMB5.4 million as at 31 December 2017. The decrease was mainly due to the settlement of (i) an installment of RMB2.6 million by Shandong Institute of Highway Technician; and (ii) the withholding income tax due from one of our Shareholders in 2017.

Other receivables and prepayment

Our other receivables and prepayment mainly included (i) prepayment made to Sinopec Marketing, for purchase of petrochemical, oil and gas; and (ii) prepayment for the listing expenses. Our other receivables and prepayment increased by approximately RMB10.2 million, or approximately 61.8%, from approximately RMB16.5 million as at 31 December 2015 to approximately RMB26.7 million as at 31 December 2016. The increase was mainly due to the prepayment for the listing expenses of approximately RMB8.2 million. Our other receivables and prepayment decreased by approximately RMB5.8 million, or approximately 21.7%, from approximately RMB26.7 million as at 31 December 2016 to approximately RMB20.9 million as at 31 December 2017. The decrease was mainly due to the fact that the prepayment made for purchase of petrochemical, oil and gas was not included in our consolidated financial statements after the disposal of all of our 51.00% equity interests in Jihe petroleum in April 2017.

Trade and Other Payables

The following table sets out the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade payables	62,129	43,260	32,849
Other payables	75,106	86,675	125,197
Non-current liabilities			
Other payables	—	8,065	28,313
Total	<u>137,235</u>	<u>138,000</u>	<u>186,359</u>

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Trade Payables

Our trade payables are obligations to pay for goods or services that have been purchased in the ordinary course of business from our suppliers.

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	62,129	43,260	32,849

Our trade payables decreased from approximately RMB62.1 million as at 31 December 2015 to approximately RMB43.3 million as at 31 December 2016, mainly due to the decrease in trade payables from road maintenance work as only regular preventive road maintenance works were carried out for the year ended 31 December 2016, while extensive road maintenance work was carried out for the year ended 31 December 2015. Our trade payables continued to decrease to approximately RMB32.8 million as at 31 December 2017, mainly due to the fact that the tendering process of our Company in 2017 was relatively slow as compared to the corresponding period of previous year. The road maintenance works were postponed and only a few road maintenance works were carried out for the year ended 31 December 2017, thereby the trade payables decreased.

The following table sets out our turnover days of trade payables during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
Turnover days of trade payables ^(Note)	26	34	36

Note: Turnover days of trade payables are calculated by dividing the average balance of trade payables by the cost of sales of the relevant year (inclusive of our Discontinued Operations) and then multiplying the number of days during the year (i.e. 365 days for the years ended 31 December 2015 and 2017, 366 days for the year ended 31 December 2016). Average balance of trade payables is the average of the balances of trade payables at the beginning and end of the relevant year.

Our turnover days of trade payables were approximately 26 days, 34 days and 36 days for the three years ended 31 December 2017, respectively. The relatively low turnover days of trade payables for the year ended 31 December 2015 was mainly due to the highly increased cost of sales for the year ended 31 December 2015 as extensive maintenance works were carried out in the same year.

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Other Payables

The following table sets out the breakdown of our other payables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to Qilu Transportation	—	—	91,383
Payables for purchases of long-term assets	17,978	20,137	20,815
Staff salaries and welfare	24,095	25,655	22,338
Advances from customers	9,333	14,818	8,132
Tax payables	11,362	15,830	3,082
Retention payables and deposit received	3,561	11,394	2,185
Other payables and accruals	8,777	6,906	5,575
	<u>75,106</u>	<u>94,740</u>	<u>153,510</u>
Less non-current portion:	—	(8,065)	(28,313)
Current portion	<u>75,106</u>	<u>86,675</u>	<u>125,197</u>

Our other payables comprised mainly (i) amount due to Qilu Transportation which represented the provisions made for rental payables pursuant to the Land Use Right Lease Agreement and the Property Lease Agreement with Qilu Transportation; (ii) payables for purchase of long-term assets; (iii) staff salaries and welfare which mainly represented salaries and performance-based bonus payable to our employees; (iv) advances from customers which represented rental and management fee paid by our customers in advance for leasing communication pipes and service areas along the Jihe Expressway; (v) tax payables which represented value-added tax payable and other tax payables; and (vi) retention payables and deposit received which mainly represented deposit from our customers for leasing the service areas along the Jihe Expressway and retention received by our Company for construction projects.

Our other payables increased by approximately RMB19.6 million or approximately 26.1%, from RMB75.1 million as at 31 December 2015 to approximately RMB94.7 million as at 31 December 2016. The increase was mainly due to combined effect of (i) an increase of approximately RMB7.8 million in retention payables and deposit received resulting from increase in deposit for leasing the service areas along the Jihe Expressway; (ii) an increase of approximately RMB5.5 million in advances from customers as a result of an increase in advanced rental payment for leasing communication pipes along the Jihe Expressway; and (iii) an increase of approximately RMB4.5 million in tax payables as a result of an increase in our revenue.

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Our other payables increased by approximately RMB58.8 million, or approximately 62.1%, from RMB94.7 million as at 31 December 2016 to approximately RMB153.5 million as at 31 December 2017. The increase was mainly due to the increase in amount due to Qilu Transportation of approximately RMB91.4 million, which was partially offset by the combined effect of (i) a decrease of approximately RMB6.7 million in advances from customers as we disposed of the entire equity interests in Jihe Service in April 2017; (ii) a decrease of approximately RMB12.7 million in tax payables as we disposed of all of our 51.00% equity interests in Jihe Petroleum; and (iii) a decrease of approximately RMB9.2 million in retention payables and deposit received as we disposed of the entire equity interests in Jihe Service in April 2017.

Provisions — Maintenance and Resurfacing Obligation

The following table sets out the breakdown of our provisions for maintenance and resurfacing obligations as at the dates indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	11,564	33,355	64,145
Addition of provision	145,069	71,601	71,686
Utilisation of provision	<u>(123,278)</u>	<u>(40,811)</u>	<u>(38,601)</u>
At the end of the year	<u>33,355</u>	<u>64,145</u>	<u>97,230</u>

During the Track Record Period, provisions for maintenance and resurfacing obligations increased from approximately RMB33.4 million as at 31 December 2015 to approximately RMB97.2 million as at 31 December 2017. The balances of provisions — maintenance and resurfacing obligation represented the maintenance costs we need every year to improve the condition of the Jihe Expressway assessed by an independent valuer to the road condition required in the Concession Agreement.

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INDEBTEDNESS

Bank Borrowings

The following table sets out a breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Floating interest rates				
Secured and guaranteed bank borrowings				
	1,515,000	—	—	—
Unsecured loans				
	—	1,300,000	825,000	825,000
Total	<u>1,515,000</u>	<u>1,300,000</u>	<u>825,000</u>	<u>825,000</u>
Carrying amount repayable (according to scheduled repayment term)				
— Within one year	230,000	375,000	285,000	335,000
— More than one year, but not exceeding two years	235,000	385,000	295,000	245,000
— More than two years, but not exceeding five years	750,000	540,000	245,000	245,000
— More than five years	300,000	—	—	—
Total	<u>1,515,000</u>	<u>1,300,000</u>	<u>825,000</u>	<u>825,000</u>

Our Company had drawn down a series of secured and guaranteed bank borrowings amounted to approximately RMB2,950.0 million from September 2005 for the construction of the Jihe Expressway. Such bank borrowings are repayable by instalments from October 2008 to February 2023 and are guaranteed by the Shandong Transport Department and Shandong Luneng Group Company Limited (山東魯能集團有限公司). All bank borrowings have been converted to unsecured loans by the end of 2016.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the outstanding balance of our bank borrowings were approximately RMB1,515.0 million, RMB1,300.0 million, RMB825.0 million and RMB825.0 million, respectively, bearing weighted average interest rates of approximately 4.5%, 4.4%, 4.4% and 4.4%, respectively. As at the latest practicable date, being 30 April 2018, the unutilised banking facilities of our Group was approximately RMB960.0 million.

During the Track Record Period and up to the latest practicable date, financial arrangements of our Company were subject to certain restrictive covenants. Any violation of the restrictive covenants may result in demand of early repayment by the relevant banks. Major terms of the covenants are summarised as: (i) the borrower did not fail to repay the

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principal or interest of the borrowing according to the repayment schedule stated in the agreement; (ii) the operation and financial condition of the borrower has not experienced any deterioration or loss during the contractual period; (iii) the financial information provided by the borrower is true and accurate; (iv) the borrower was not involved in any material litigation, or under any arbitration, criminal and administrative penalty procedure that could have negative influence on its operation and properties; (v) the borrower has not experienced any material issue that could have negative influence on its solvency ability; (vi) the borrower has not refused the lender to inspect its operation and financial situation. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Company has not violated any restrictive covenants.

Contingent Liabilities

Our Group had no material contingent liabilities as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively.

Our Directors confirm that, save as disclosed in this section, as at the Latest Practicable Date, there has been no material adverse change in our indebtedness since 30 April 2018.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

KEY FINANCIAL RATIOS

The following tables set out our key financial ratios for the years or as at the dates indicated:

	Year ended 31 December		
	2015	2016	2017
Return on equity ^(Note 1)	13.1%	19.9%	21.4%
Return on assets ^(Note 2)	6.9%	11.7%	14.6%

	As at 31 December		
	2015	2016	2017
Current ratio ^(Note 3)	0.55x	1.03x	1.11x
Quick ratio ^(Note 4)	0.54x	0.91x	1.10x
Gearing ratio ^(Note 5)	0.78x	0.58x	0.33x
Debt to equity ratio ^(Note 6)	0.75x	0.41x	0.17x

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Notes:

1. Return on equity is calculated based on the net profit of our Group for the year (inclusive of our Discontinued Operations) divided by the total equity of our Group at the end of the year and multiplied by 100%.
2. Return on assets is calculated based on the net profit of our Group for the year (inclusive of our Discontinued Operations) divided by the total assets of our Group at the end of the year and multiplied by 100%.
3. Current ratio is calculated based on the total current assets of our Group divided by the total current liabilities of our Group as at the end of the year.
4. Quick ratio is calculated based on the total current assets of our Group, netting off inventories and non-current assets held for sale, divided by the total current liabilities of our Group as at the end of the year.
5. Gearing ratio is calculated based on the total borrowings of our Group divided by the total equity of our Group as at the end of each year.
6. Debt to equity ratio is calculated by netting off the sum of borrowings of our Group with cash and cash equivalents balances (exclusive of restricted cash) and then divided by the total equity of our Group as at the end of each year.

Return on Equity and Return on Assets

During the Track Record Period, our return on equity and return on assets recorded continuous increase. Our return on equity increased from approximately 13.1% for the year ended 31 December 2015 to approximately 19.9% for the year ended 31 December 2016, while our return on assets increased from approximately 6.9% for the year ended 31 December 2015 to approximately 11.7% for the year ended 31 December 2016. The improvements were mainly contributed by the increase in net profit from our Continuing Operations, which was mainly due to the combined effect of (i) the increase in revenue as a result of the increase in traffic flow of the Jihe Expressway for the year ended 31 December 2016; and (ii) the decrease in road maintenance costs for the year ended 31 December 2016.

Our return on equity further increased to approximately 21.4% for the year ended 31 December 2017, while our return on assets further increased to approximately 14.6% for the year ended 31 December 2017. The increases were mainly due to the increase in our Group's net profit resulting from the further increase in the traffic flow of the Jihe Expressway for the year ended 31 December 2017 and recognition of an one-off gain from the disposal of equity interests in our subsidiaries and certain ancillary facility assets.

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Current Ratio and Quick Ratio

Our current ratio increased from approximately 0.55 times as at 31 December 2015 to approximately 1.03 times as at 31 December 2016, while our quick ratio increased from approximately 0.54 times as at 31 December 2015 to approximately 0.91 times as at 31 December 2016. The increases were mainly contributed by an increase in our current assets, which was partially offset by an increase in our current liabilities. The increase in our current assets was mainly due to the increase in cash and cash equivalents and trade and other receivable generated from our Continuing Operations. The increase in current liabilities was mainly due to reclassification of certain long-term borrowings as at 31 December 2015 to short-term borrowings as at 31 December 2016 as the borrowing became due within one year.

Our current ratio remained stable at 1.11 times as at 31 December 2017. Our quick ratio further increased to approximately 1.10 times as at 31 December 2017, which was mainly due to (i) increase in cash and cash equivalents and trade and other receivables generated from our Continuing Operations; and (ii) decrease in short-term borrowing resulting from repayment of bank borrowing.

Gearing Ratio and Debt to Equity Ratio

During the Track Record Period, our gearing ratio and debt to equity ratio recorded continuous decrease. Our Group's gearing ratio decreased from approximately 0.78 times as at 31 December 2015 to approximately 0.33 times as at 31 December 2017, while Our Group's debt to equity ratio continuously decreased from approximately 0.75 times as at 31 December 2015 to approximately 0.17 times as at 31 December 2017. The continuous decrease was mainly due to the combined effect of (i) decrease in the balance of bank borrowings as result of repayment of bank borrowings by using the cash generated from our operations; and (ii) increase in total equity as a result of accumulation of profit during the Track Record Period.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in the Accountant's Report as set out in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of our business on normal commercial terms or such terms being no less favourable than those available from Independent Third Parties. Our Directors are of the view that the aforesaid related party transactions were fair and reasonable as well as did not distort our financial results during the Track Record Period or cause our financial results during the Track Record Period to be unreflective of our future performance.

For details of connected transactions that will continue after the Listing, please refer to the section headed "Connected Transactions" in this prospectus.

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PROPERTY INTERESTS

As at the Latest Practicable Date, we owned 82 properties, including four properties used as the premises of our headquarters, 50 properties used as underground parking spaces and 28 properties for non-principal operation purpose. In addition, we entered into the Land Use Right Lease Agreement with Qilu Transportation and obtained land use rights in respect of 29 parcels of lands of the Jihe Expressway. We also entered into the Property Lease Agreement with Qilu Transportation and leased 45 properties along the Jihe Expressway using as seven management centres and one maintenance and emergency response Centre. All of the above properties are located in the PRC. Please refer to “Business — Land Use Rights and Property Interests” for details.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily comprised expenses for purchase of office premises and equipment for our operation. Our capital expenditures amounted to approximately RMB44.5 million, RMB20.8 million and RMB143.7 million for the three years ended 31 December 2017.

Our Group had no material planned capital expenditures as at the Latest Practicable Date.

Capital Commitments

The following table sets out our capital commitments as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>2,121</u>	<u>81,559</u>	<u>—</u>

Our capital commitments are mainly related to the fixed assets contracted to purchase by our Group. As at 31 December 2015 and 2016, our capital commitments amounted to approximately RMB2.1 million and RMB81.6 million, respectively. The relatively high level of capital commitments as at 31 December 2016 was due to the reason that our Group had contracted to purchase a four-storey office premises located at Hanyu Financial & Business Center (漢峪金融商務中心) in Jinan, Shandong Province and other equipments in 2016. The purchase of such properties and equipments were completed in early 2017 and we did not have any capital commitments as at 31 December 2017.

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Operating Lease Commitments

During the Track Record Period, we leased out communication pipes along the Jihe Expressway under irrevocable operating lease agreements for terms of 1 to 15 years. The following table sets out our future aggregate minimum lease receipts under the irrevocable operating lease agreements as at the dates indicated:

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	579	634	620
Later than 1 year and no later than 15 years . . .	8,054	8,069	7,229
Total	<u>8,633</u>	<u>8,703</u>	<u>7,849</u>

DIVIDEND POLICY

During the Track Record Period, our Company has declared and paid cash dividends of approximately RMB244.4 million, RMB128.0 million and RMB282.8 million for the three years ended 31 December 2017, respectively. Our dividend payout ratio⁽¹⁾ was approximately 51.1% and 63.8% for the years ended 31 December 2015 and 2016, respectively. On 5 June 2018, our Company declared a dividend of approximately RMB379.2 million, which was approved at our Shareholders' meeting. As at the date of this prospectus, approximately RMB208.8 million of such dividend has been paid. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be formulated by our Board at their discretion and will be subject to our Shareholders' approval. Nonetheless, we will pay dividends out of net profit only after we have made the following allocations:

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

Note:

⁽¹⁾ Dividend payout ratio is calculated based on the dividend declared and paid for the year divided by the profit and total comprehensive income attributable to owners of our Company for the corresponding year.

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Our historical dividend distributions are not indicative of our future dividend policy or distribution. We expect to distribute approximately 60.0% to 70.0% of our annual distributable profits as dividend in the future. We will decrease our dividend payment ratio accordingly, if we have significant investment or acquisition plan for the same year. However, there is no assurance that we will be able to distribute dividend of such amount or any amount in every year or any year in the future. Our dividend policy in the future will be determined by our Board based on our operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distribution and other factors that the Board considers relevant.

DISTRIBUTABLE RESERVES

As at 31 December 2017, we had distributable reserves of approximately RMB526.7 million, representing the retained earnings of our Company.

LISTING EXPENSES

Listing expenses directly attributable to the issue of Offer Shares are recognised in equity, while other listing expenses are recognised as expenses in our consolidated statements of comprehensive income or as prepayments in our consolidated statements of financial position. The total listing expenses in relation to the Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB66.3 million (based on the mid-point of the indicative Offer Price range and assume no exercise of the Over-allotment Option). As at 31 December 2017, we have incurred listing expenses of approximately RMB17.9 million, among which, approximately RMB7.6 million has been recognised as expenses in our consolidated statements of comprehensive income during the Track Record Period, and approximately RMB10.3 million has been recognised as prepayments in our consolidated statements of financial position. We expect to further incur listing expenses of approximately RMB48.4 million, among which, approximately RMB33.8 million is expected to charge against equity attributable to owners of our Company upon Listing, and approximately RMB14.6 million is expected to be recognised as expenses in our consolidated statements of comprehensive income after the Track Record Period.

The listing expenses are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate. Our Directors expect that the remaining listing expenses would have certain impact on our financial results for the year ending 31 December 2018.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. The traffic flow of the Jihe Expressway recorded a slight increase for the four months ended 30 April 2018 as compared with that of the same period in the previous year. Nevertheless, based on the management accounts of our Group, our toll income for the four months ended 30 April 2018 was lower than that for the four months ended 30 April 2017, such being the result of the transformation of the Jinan — Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section) restricting long-distance travelled trucks with five axles or above to use those sections of the expressway and thereby restricting such part of the truck traffic on the Jihe Expressway connecting with those sections of the expressway. Such transformation, as advised by WB Group, is expected to complete on or before 31 January 2019, and the traffic diversion impact arising from the aforesaid transformation of the Jinan-Qingdao Expressway will then no longer exist. For details, please refer to the sub-section headed “4 Approach of Traffic and Revenue Forecast — 6. Road and Rail Networks” in Appendix V to this prospectus. Further, our profit for the same period in 2018 from our Continuing Operations recorded a decline as compared to that of the same period in the previous year, due to our Director’s view that (i) our toll revenue recorded a decline due to transformation of the Jinan — Qingdao Expressway as mentioned above; and (ii) listing expenses incurred led to an increase in our administrative expenses. Whereas our Directors are of view, and WB Group concurs, that the impact from the transformation of the Jinan — Qingdao Expressway on the traffic flow of the Jihe Expressway is temporary, our profit from our Continuing Operations for the year ending 31 December 2018 may, nevertheless, show a decline as compared to that of the previous year.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the sub-section headed “Listing Expenses” in this section of the prospectus, our Directors confirm that (i) no material adverse change in our results of operations, financial conditions or prospects since 31 December 2017, being the balance sheet date of our latest financial statements; (ii) no serious traffic accident has occurred on the Jihe Expressway; and (iii) there had been no event since 31 December 2017 which would materially and adversely affect the information in the Accountant’s Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to the owners of our Company as at 31 December 2017 as if the Global Offering had taken place on 31 December 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2017 or at any future date.

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The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group as at 31 December 2017 as shown in the Unaudited Pro Forma Financial Information as set out in Appendix II to this prospectus, and adjusted as follows:

	Audited consolidated net tangible liabilities of our Group attributable to the owners of our Company as at 31 December 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>RMB'000</i> (Note 1)	<i>RMB'000</i> (Note 2)	<i>RMB'000</i>	<i>RMB</i> (Note 3)	<i>HK\$</i> (Note 4)
Based on an Offer Price of HK\$2.50 per Share.	(396,715)	972,154	575,439	0.29	0.35
Based on an Offer Price of HK\$3.10 per Share.	<u>(396,715)</u>	<u>1,214,334</u>	<u>817,619</u>	<u>0.41</u>	<u>0.50</u>

Notes:

- The audited consolidated net tangible liabilities of our Group attributable to the owners of our Company as at 31 December 2017 is extracted from the historical financial information contained in the Accountant's Report as set out in Appendix I to this prospectus which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 31 December 2017 of RMB2,476,985,000 less intangible assets of RMB2,873,700,000.
- The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$2.50 (equivalent to RMB2.06) per Share and HK\$3.10 (equivalent to RMB2.55) per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by our Group (excluding approximately RMB7,593,000 listing expenses which have been accounted for in the consolidated statement of comprehensive income up to 31 December 2017) but takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and is based on that 2,000,000,000 Shares were in issue immediately prior to Listing (assuming that the Global Offering had been completed on 31 December 2017), without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in RMB are converted into Hong Kong dollar at a rate of HK\$1.00 to RMB0.82282. No representation is made that RMB has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

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5. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2017. In particular, the unaudited pro forma adjusted consolidated net tangible assets of our Group has not taken into account the dividend of approximately RMB379,209,000 declared in June 2018. The unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB0.10 (equivalent to HK\$0.12) per Share based on the Offer Price of HK\$2.50 per Share and RMB0.22 (equivalent to HK\$0.27) per Share based on the Offer Price of HK\$3.10 per Share, respectively, if the dividend of approximately RMB379,209,000 had been taken into account.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's major financial instruments include trade receivables, amounts due from related companies, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Our Group's business activities are primarily exposed to interest rate risk and foreign exchanges risk. Details of each type of risks are described as follows:

Interest Rate Risk

Our Group is exposed to cash flow interest rate risk primarily in relation to bank borrowings with floating interest rate which are based on the benchmark interest rate as announced by the People's Bank of China, or deduct an applicable margin.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on interest rate risk for bank borrowings as at the end of the reporting period. The analysis is prepared base on the assumption that the outstanding amounts of these financial instruments as at the end of the reporting period were outstanding for the whole year. A 50 basis-point increase or decrease represents our management's assessment on the reasonably possible change in interest rates.

Sensitivity analysis for interest rate risk

For the three years ended 31 December 2017, if market interest rate increase by 50 basis points with all other variables held constant, our Group's net profit would decrease by approximately RMB5.7 million, RMB4.9 million and RMB3.1 million, respectively. A

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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.

Foreign Exchanges Risk

RMB is our reporting currency. Our Group's business activities do not expose us to significant foreign exchanges risk because we principally operate in the PRC and RMB is the currency of the primary economic environment in which our Group operates. Our bank borrowings were also principally denominated in RMB.

Liquidity risk

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

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

	Weighted average interest rate	Within	Between	Between	After	Total
		1 year	1 to 2 years	2 to 5 years	5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015						
Trade and other payables (excluding non-financial liabilities)	—	92,445	—	—	—	92,445
Borrowings		230,000	235,000	750,000	300,000	1,515,000
Interest payments on borrowings	4.46%	66,241	55,444	103,485	19,102	244,272
Total		<u>388,686</u>	<u>290,444</u>	<u>853,485</u>	<u>319,102</u>	<u>1,851,717</u>

	Weighted average interest rate	Within	Between	Between	After	Total
		1 year	1 to 2 years	2 to 5 years	5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2016						
Trade and other payables (excluding non-financial liabilities)	—	73,632	202	4,695	3,168	81,697
Borrowings		375,000	385,000	540,000	—	1,300,000
Interest payments on borrowings	4.35%	49,905	33,495	32,561	—	115,961
Total		<u>498,537</u>	<u>418,697</u>	<u>577,256</u>	<u>3,168</u>	<u>1,497,658</u>

FINANCIAL INFORMATION

	Weighted average interest rate	Within	Between	Between	After	Total
		1 year	1 to 2 years	2 to 5 years	5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2017						
Trade and other payables (excluding 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
Total		<u>442,755</u>	<u>316,821</u>	<u>264,686</u>	<u>19,367</u>	<u>1,043,629</u>

The following table sets out the details of total cash outflow for the principal and interests of the bank borrowings of our Group with a clause of repayment on demand. For interests based on floating interest rates, the amount of undiscounted cash flow is calculated based on the weighted average interest rate as at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or less than	Between	Between	After	Carrying amount
		one year	1 to 2 years	2 to 5 years	5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings with clause of repayment on demand						
As at 31 December 2015	4.46%	230,000	235,000	750,000	300,000	1,515,000
As at 31 December 2016	4.35%	375,000	385,000	540,000	—	1,300,000
As at 31 December 2017	4.37%	285,000	295,000	245,000	—	825,000

Credit risk

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

Toll income of the Jihe Expressway are partly collected by the Expressway Toll Settlement Centre on behalf of our Group and recovered within two to three months. Therefore, our management does not expect any loss from those receivables.

Except for receivables as mentioned above, we do 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 our Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the sub-section headed “Business — Our Competitive Strengths and Strategies — Business Strategies” in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$1,319.42 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.80 per H Share, being the mid-point of the Offer Price range of HK\$2.50 to HK\$3.10 per H Share as stated in this prospectus.

According to our business strategies, we aim to become a leading integrated operator in the industry specialising in road investments, construction, operation and management. After deducting the issue expenses and assuming the Over-allotment Option is not exercised, we intend to use the net proceeds from the Global Offering of H Shares for the purpose and in the amounts set out below:

- approximately 50% (or approximately HK\$659.71 million) will be used for acquiring operative toll roads, bridges and relevant road-related infrastructure projects or interests (the “**Infrastructure Projects**”). We intend to acquire and operate, manage or invest in road-related projects in the PRC, particularly in Shandong Province, which are at least partly completed or under operation, or the relevant project management companies.

Whereas we intend to select our acquisition or investment targets that maximise the expected return for us and minimise the risk exposure associated with the uncertainties within, we will conduct preliminary review and feasibility study on the potential target, and we have established a strategy committee to consider, assess and decide whether to carry out the proposed acquisition or investment. For more details of the functions and compositions of our strategy committee, please refer to the sub-section headed “Directors, Supervisors, Senior Management and Employees — Board Committees — Strategy Committee” in this prospectus.

When assessing the acquisition or investment opportunities, we will carefully consider a variety of factors with respect to the target, including but not limited to quality of its assets and business; cost and benefit of the acquisition and our internal financial requirements, taking into account our corporate strategy and long-term plan; the synergy between our existing operations and potential targets in terms of infrastructure, technology, know-how, management expertise and business compatibility; socio-economic and demographic condition of and local regulatory environment and policies implemented in the region and province where the potential target is located; the joint venture partners (if any) and the joint venture structure (if applicable); our financial resources; any applicable

FUTURE PLANS AND USE OF PROCEEDS

quality requirements and financial data of the target and the possibility of enhancing the overall competitiveness and sustainability of our existing and future business.

Whereas the acquisition or investment target meets the criteria of our preliminary assessment, we will conduct detailed due diligence on the target which includes conducting detailed feasibility studies, traffic studies, detailed financial analyses, vetting prospective joint venture partners (if any) and reviewing relevant contracts, approvals and licences. We will also engage qualified PRC legal advisers to advise us on any potential legal issues in relation to the acquisition and to ensure that the acquisition and operation of the target will not lead to any non-compliance issues or violation of laws and regulations.

Specifically, the criteria that we would normally consider when evaluating a potential Infrastructure Project target include, among other things:

- (i) **Location:** as disclosed in the sub-section headed “Business — Our Competitive Strengths and Strategies — Business Strategies — 1. We will pay close attention to high quality road-related assets to expand our business” in this prospectus, we intend to pursue Infrastructure Project targets in the PRC with a particular focus to those in Shandong Province, such being in light of (a) our current operations are in Shandong Province, we can efficiently and effectively utilise our know-how to manage the acquired or invested Infrastructure Project; and (b) the strong geographical advantage and high automobile ownership in Shandong Province. Given the revenue derived from an Infrastructure Project depends primarily from its traffic flow, which in turn depends on, among other things, its connectivity and the demographic and socio-economic conditions of its surrounding regions. Whereas such connectivity, demographic and socio-economic conditions may vary from each Infrastructure Project which would be assessed on a case-by-case basis, priority will be given to the Infrastructure Project connecting to at least one major city and/or county in Shandong Province with relatively strong local economic conditions, solid industrial foundation or higher urbanisation level, including but not limited to Jinan, Qingdao, Yantai, Dongying or Weifang, or the major counties/cities under the abovementioned cities which, according to the Frost & Sullivan Report, will drive the demand and traffic flow of the Infrastructure Project due to the increased travelling activities;
- (ii) **Expected project size and return:** we intend to acquire or invest in an Infrastructure Project of which the investment cost of a single project will be within the range of approximately RMB300 million and RMB1 billion and the expected annual investment return, being the return on equity, of which be approximately 8% or above over the duration of such project or investment. These parameters are preliminary estimates and are subject to change due to reasons such as the availability of the acquisition or

FUTURE PLANS AND USE OF PROCEEDS

investment target, the industry conditions, our operating conditions and our negotiation with the seller(s) or the joint venture partner(s) of such Infrastructure Project;

(iii) **Feasibility of the acquisition/investment:** Our strategy committee led by Mr. Li Gang, our Chairman and executive Director, is responsible for identifying such acquisition or investment opportunities and for considering and assessing their feasibility. As part of the preliminary assessment exercise, we would normally obtain and review the basic documentations, licenses and approvals of the Infrastructure Project, such as (a) the approvals from competent government authorities in respect of the design, construction, operations and opening to traffic of the Infrastructure Project; (b) the concession agreement (if any) in respect of the Infrastructure Project; (c) the business licenses of the project or operating company of the Infrastructure Project; (d) the approvals in relation to toll collection of the Infrastructure Project and the applicable toll rates; and (e) the audited accounts of the Infrastructure Project or operating company of the Infrastructure Project. Whereas our strategy committee is satisfied with the results of the preliminary assessment, we will proceed with the due diligence exercise of the Infrastructure Project target which generally includes the following steps:

- our strategy committee and members from our management review the feasibility reports to assess the economic and technical viability of the Infrastructure Project. These feasibility reports are generally prepared by independent PRC consultancy institutions, which are appointed by the competent government authorities, for submission to local planning committees for approval. They generally consist of analyses of (a) traffic demand in the region; (b) traffic volume forecasts; (c) regional social and economic environment; (d) technical specifications and costs of the Infrastructure Project; and (e) financial aspects of the Infrastructure Project;
- our strategy committee and members from our management conduct our own site visits and traffic studies at the Infrastructure Project locations and perform internal financial analyses, taking into account factors such as (a) past economic growth; (b) historical growth and forecasts of future growth of traffic volume; (c) inflation rate forecasts; (d) profit distribution arrangements (if applicable); and (e) development of surrounding regions of the Infrastructure Project;
- our strategy committee and members from our management conduct interviews with potential joint venture partners (if any) and examine their operating policies and principles to ascertain if we can cooperate with them in operating and managing the Infrastructure Project;

FUTURE PLANS AND USE OF PROCEEDS

- we would engage professional parties such as PRC legal advisers and financial advisers to conduct legal and financial due diligence reviews, respectively, on the Infrastructure Project. For example, we would require our PRC legal advisers to opine on (a) the nature of the Traffic Infrastructure Project and the legal framework governing its operations; and (b) the land use right conditions of the lands of such Infrastructure Project. We would only acquire or invest in Infrastructure Projects which our PRC legal advisers have opined that are operative in nature in accordance with the applicable laws and regulations and that have obtained all necessary land use rights or land use right certificates in respect of the lands of such Infrastructure Projects.

Leveraging on the industry experience and network of our management team in the expressway operation industry, our Directors are of the view that there are some potential targets that satisfy the requirements and criteria set out above available in the industry with which we may pursue investment or acquisition opportunities. Further, according to the information provided by Shandong Transport Department, as at 31 December 2017, there were currently 81 expressways and bridges in operation within Shandong Province, all of which had two-way four lanes or above. Based on the abovementioned, our Directors are of the view that there are available targets for our Company to acquire or invest in. Once we identify a potential target, we will follow the selection criteria and procedures as disclosed above to safeguard the sustainability of our expansion strategy. As at the Latest Practicable Date, we did not have any specific acquisition or investment plans or targets and had neither entered into any agreement or memorandum of understanding nor engaged in any negotiation with any potential target. Further, as disclosed in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — The Interests of Qilu Transportation in Highways” in this prospectus, Qilu Transportation had interest in various expressways either directly as the Other Expressway Assets of Qilu Transportation or indirectly through its equity interest in the Other Companies under Qilu Transportation. Our Directors confirm that the same set of criteria and evaluation process as mentioned above (including the consideration as to the nature of the Infrastructure Projects and the land use right conditions of the lands of such projects) would be applied and undergone, respectively, for considering whether to acquire or invest in, using the net proceeds from the Global Offering, the Infrastructure Projects, no matter whether such projects are the Other Expressway Assets of Qilu Transportation or held by way of equity interest in the Other Companies under Qilu Transportation provided that the issues pertaining to them

FUTURE PLANS AND USE OF PROCEEDS

(as disclosed in the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business Between our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Reasons for Excluding from the Listing Group” in this prospectus)⁽¹⁾ have been resolved or rectified, or other Infrastructure Projects held, operated or managed by Independent Third Parties. In the event that the acquisition or investment opportunities materialise upon Listing, we will comply with the requirements of the Hong Kong Listing Rules (including Chapter 14A of the Hong Kong Listing Rules).

As confirmed by Frost & Sullivan and WB Group, operation and management of road-related projects such as tunnels and bridges are of a very similar nature to those of expressways. Our Directors are of the view that their expertise in management of expressway operation is readily transferrable to that of road-related project. Further, our Directors believe that the investment or acquisition initiatives enable us to be further involved in the economic opportunities in Shandong Province and fully explore the growing economic connections with nearby provinces in the PRC. Through strategic investment in and acquisition of the Infrastructure Projects, our Company aims to become one of the major road infrastructure companies acting as a scalable professional expressway operation platform in Shandong Province and, gradually, in the PRC. Besides, our preference is to invest in or acquire Infrastructure Projects that are at least partly completed or under operation as we believe that it would minimise our exposures to uncertainties involved with construction, such as cost overruns or delays in completion of the project, and reduce the ramp-up time before full capacity usage is achieved. Further, our Directors believe that our horizontal growth arising from such investment and acquisition would enhance our operational efficiency and financial performance, thereby creating value to our Shareholders;

- approximately 25% (or approximately HK\$329.86 million) will be used for the road maintenance of the Jihe Expressway;

Note:

⁽¹⁾ For details of the issues pertaining to the 47 expressways held directly or indirectly by Qilu Transportation, please refer to the sub-section headed “Relationship with our Controlling Shareholders — Delineation of Business Between Our Group and Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) — Reasons for Excluding from the Listing Group” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10% (or approximately HK\$131.94 million) will be used for the full or partial repayment of short-term bank loans, the details of which are set out below:

<u>Amount due (RMB)</u>	<u>Interest rate (%)</u>	<u>Due date</u>	<u>Use of bank loans</u>
85,000,000	90% of the national benchmark interest rate	24 December 2018	Construction project of expressway connecting Jinan to Heze
40,000,000	90% of the national benchmark interest rate	12 November 2018	Procurement of expressway construction materials
40,000,000	90% of the national benchmark interest rate	12 November 2018	Procurement of expressway construction materials

- approximately 10% (or approximately HK\$131.94 million) will be used for working capital and other general corporate purposes; and
- approximately 5% (or approximately HK\$65.97 million) will be used for optimising our information management systems, including our monitoring system, communication system and toll system.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$206.22 million (after deducting underwriting commissions, fees and other relevant expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$2.80 per H Share.

If the Offer Price is set at HK\$3.10 per H Share (being the high end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK\$147.30 million. If the Offer Price is set at HK\$2.50 per H Share (being the low end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK\$147.30 million.

We will adjust the allocation of the net proceeds among the remaining proceed uses on a pro rata basis should the amount of proceeds received differ from the estimated amount due to the Offer Price being different from the estimate and/or the exercise of any Over-allotment Option.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend 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. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

THE CORNERSTONE PLACING

Our Company has entered into the cornerstone investment agreements with certain investors (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”) on 20 June 2018, pursuant to which the Cornerstone Investors have agreed to subscribe for 249,999,000 H Shares in an aggregate amount of approximately HK\$625.00 million based on the Offer Price of HK\$2.50 (being the low-end of the proposed Offer Price range), approximately HK\$700.00 million based on the Offer Price of HK\$2.80 (being the mid-point of the proposed Offer Price range) or approximately HK\$775.00 million based on the Offer Price of HK\$3.10 (being the high-end of the proposed Offer Price range) (the “**Cornerstone Placing**”).

The total number of H Shares to be subscribed for by the Cornerstone Investors represents approximately (i) 55.56% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 47.62% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 49.99% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 43.48% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 12.50% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 12.05% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

To the best knowledge of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of our Company, its connected persons and their respective associates, and not an existing Shareholder or close associates of our Company.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 18 July 2018.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any Board representation, nor will any of the Cornerstone Investors become a Substantial Shareholder. The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any re-allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering — Re-allocation between the International Offering and the Hong Kong Public Offering”.

CORNERSTONE INVESTORS

CORNERSTONE INVESTORS

Our Company has entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

<u>Cornerstone Investor</u>	<u>Investment amount</u>	<u>Indicative Offer Price⁽¹⁾</u>	<u>Number of H Shares to be subscribed for</u>	<u>Approximate percentages of the Offer Shares (assuming that Over-allotment Option is not exercised)</u>	<u>Approximate percentages of the Offer Shares (assuming that Over-allotment Option is exercised in full)</u>	<u>Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is not exercised)</u>	<u>Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)</u>
CITIC-Prudential Life Insurance Company Ltd. (中信保誠人壽保險有限公司)	approximately HK\$259.38 million	HK\$2.50	103,750,000	20.75%	18.04%	5.19%	5.00%
	approximately HK\$290.50 million	HK\$2.80	103,750,000	20.75%	18.04%	5.19%	5.00%
	approximately HK\$321.63 million	HK\$3.10	103,750,000	20.75%	18.04%	5.19%	5.00%
Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司)	approximately HK\$259.38 million	HK\$2.50	103,750,000	20.75%	18.04%	5.19%	5.00%
	approximately HK\$290.50 million	HK\$2.80	103,750,000	20.75%	18.04%	5.19%	5.00%
	approximately HK\$321.63 million	HK\$3.10	103,750,000	20.75%	18.04%	5.19%	5.00%
Shandong SSF	approximately HK\$106.25 million	HK\$2.50	42,499,000	8.50%	7.39%	2.12%	2.05%
	approximately HK\$119.00 million	HK\$2.80	42,499,000	8.50%	7.39%	2.12%	2.05%
	approximately HK\$131.75 million	HK\$3.10	42,499,000	8.50%	7.39%	2.12%	2.05%

Note:

⁽¹⁾ Being the low-end, mid-point and high-end, respectively, of the proposed Offer Price range set out in this prospectus.

CORNERSTONE INVESTORS

The information about the Cornerstone Investors set out below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

1. CITIC-Prudential Life Insurance Company Ltd. (中信保誠人壽保險有限公司)

CITIC-Prudential Life Insurance Company Ltd. (“**CITIC-Prudential**”) has agreed to subscribe for 103,750,000 H Shares with an aggregate amount of approximately HK\$290.50 million based on the Offer Price of HK\$2.80, being the mid-point of the Offer Price range, (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee). Assuming the Offer Price is HK\$2.80, being the mid-point of the Offer Price range, the total number of H Shares that CITIC-Prudential would subscribe for represents approximately 20.75% of the Offer Shares and approximately 5.19% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

CITIC-Prudential is a limited company incorporated in the PRC. CITIC Corporation Limited (中國中信有限公司) holds approximately 50.00% of its equity interest. The remaining 50.00% of equity interest in CITIC-Prudential is held by Prudential Corporation Holdings Limited (英國保誠集團股份有限公司). CITIC-Prudential is mainly engaged in (i) life insurance, health insurance, accident insurance and other insurance businesses; and (ii) re-insurance of the above businesses.

2. Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司)

Shandong Hi-Speed Investment Holdings Co., Ltd. (“**Shandong HSIH**”) has agreed to subscribe for 103,750,000 H Shares with an aggregate amount of approximately HK\$290.50 million based on the Offer Price of HK\$2.80, being the mid-point of the Offer Price range, (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee). Assuming the Offer Price is HK\$2.80, being the mid-point of the Offer Price range, the total number of H Shares that Shandong HSIH would subscribe for represents approximately 20.75% of the Offer Shares and approximately 5.19% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Shandong HSIH is a limited company incorporated in the PRC and is wholly owned by Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) (“**Shandong Hi-Speed Group**”). The sole shareholder of Shandong Hi-Speed Group is Shandong SASAC. Shandong HSIH is mainly engaged in the businesses of operating and managing of assets authorised and entrusted by the contributors, project investment and operation management, investment consultancy (excluding securities and futures investment consultancy), and property leasing and other services.

3. Shandong SSF

Shandong SSF has agreed to subscribe for 42,499,000 H Shares with an aggregate amount of approximately HK\$119.00 million based on the Offer Price of HK\$2.80, being the mid-point of the Offer Price range, (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee). Assuming the Offer Price is HK\$2.80, being the mid-point of the Offer Price range, the total number of H Shares that Shandong SSF would subscribe for represents approximately 8.50% of the Offer Shares and approximately 2.12% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Established in December 2014, Shandong SSF is a class-1 public service institution directly under the Shandong Provincial Government. Shandong SSF is responsible for undertaking and transferring part of the state-owned capital of enterprises in Shandong Province and raising funds by other means. Shandong SSF makes investments on behalf of the Shandong Provincial Government through operating and managing assets to achieve preservation and appreciation of values.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent: (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and not having been terminated; and (ii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and that such approval or permission not having been revoked.

Restrictions on the Cornerstone Investors' Investments

Each of the Cornerstone Investors has agreed that, among other things, without the prior written consent of our Company and the Joint Global Coordinators, it will not, and will procure that its subsidiary(ies) will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Offer Shares subscribed for by it pursuant to the relevant cornerstone investment agreement or any interest in any company or entity holding any Offer Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the forgoing securities, nor will it agree or contract to, or publicly announce any intentions to enter into any such transactions described above.

CORNERSTONE INVESTORS

Each Cornerstone Investor may transfer the H Shares so subscribed for in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that such wholly-owned subsidiary undertakes in writing, and such Cornerstone Investor undertakes in writing to procure, that such wholly-owned subsidiary agrees to be subject to the restrictions on disposals imposed on the Cornerstone Investor.

UNDERWRITING

HONG KONG UNDERWRITERS

Zhongtai International Securities Limited

China Securities (International) Corporate Finance Company Limited

Guotai Junan Securities (Hong Kong) Limited

CCB International Capital Limited

GF Securities (Hong Kong) Brokerage Limited

ICBC International Securities Limited

ABCI Securities Company Limited

SPDB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 50,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Sponsors or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall have the right, in its sole and absolute discretion to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company with immediate effect at any time at or prior to 8:00 a.m. on the Listing Date if:

- (a) there has come to the notice of the Joint Sponsors or the Joint Global Coordinators or any of the Hong Kong Underwriters:
 - (i) any matter or event showing or rendering any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement, in the reasonable opinion of the Joint Sponsors or the Joint Global Coordinators, to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement or any other provisions of the Hong Kong Underwriting Agreement by any party thereto (other than the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters) which, in any such cases, is considered, in the reasonable opinion of the Joint Sponsors or the Joint Global Coordinators, to be material in the context of the Global Offering; or
 - (ii) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submissions, documents or information provided to the Joint Sponsors and/or the Joint Global Coordinators and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any respect which is considered, in the reasonable opinion of the Joint Sponsors or the Joint Global Coordinators, to be material in the context of the Global Offering; or
 - (iii) any event, series of events, matter or circumstances occurs or arises on or after the date of the Hong Kong Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, matter or circumstance which, if it had occurred before the date of the Hong Kong Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the reasonable opinion of the Joint Sponsors or the Joint Global Coordinators, to be material in the context of the Global Offering; or

UNDERWRITING

- (iv) any matter has arisen or has been discovered which, had it arisen or been discovered immediately prior to the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Sponsors or the Joint Global Coordinators, a material omission in the context of the Global Offering; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of our executive Directors pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or
 - (vi) approval by the Listing Committee of the listing of, and permission to deal in, H Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of this prospectus, formal notice and Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (viii) any person (other than the Joint Sponsors, the Joint Global Coordinators and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of this prospectus, formal notice and Application Forms with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (ix) the investment commitment by the Cornerstone Investor(s) after signing of agreement with such Cornerstone Investor(s) has been withdrawn, terminated or cancelled or a material portion of the orders in the book-building process at the time the International Underwriting Agreement is entered into has been withdrawn, terminated or cancelled and such withdrawn, terminated or cancelled orders have not been fully covered by other orders at or before 4:00 p.m. on 18 July 2018 or any replacement order has been subsequently withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole discretion, concluded that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (b) there shall have developed, occurred, existed, or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, public disorder, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe

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acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or the world; or

- (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or the world; or
- (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
- (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the United States, the United Kingdom, Japan, or any of the jurisdictions in which our Group operates or has been or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
- (v) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority; or
- (vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions adversely affecting in investment in the H Shares of our Company; or

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- (vii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group); or
- (viii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or
- (ix) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance service in or affecting the Relevant Jurisdictions; or
- (x) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) a petition or order is presented for the winding up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) non-compliance by any member of our Group of the Global Offering with the Listing Rules or any other applicable laws and regulations; or
- (xiii) other than with the written approval of the Joint Sponsors or the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to any of this prospectus, formal notice and Application Forms (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules;

which in each case or in aggregate in the sole and reasonable opinion of the Joint Sponsors or the Joint Global Coordinators:

- (i) is or may or will be, or is likely to be, adverse to or may prejudicially and materially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his/her/its capacity; or

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- (ii) has or may or will have or is likely to have a materially adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of H Shares following the Listing; or
- (iii) for any other reason makes it or may will make it materially impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering on the terms and in the manner contemplated in the Underwriting Agreements, this prospectus and the Application Forms; or
- (iv) has or may or will, or is likely to have, the material effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of this prospectus, formal notice, Application Forms and the Hong Kong Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Hong Kong Public Offering and/or the International Offering or pursuant to the underwriting thereof.

Indemnity

Our Company has agreed to indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has, irrevocably and unconditionally, undertaken to each of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

- (a) except for the issue of H Shares pursuant to the Global Offering, the exercise of the Over-allotment Option or as otherwise with the Joint Global Coordinators' prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure that none of our subsidiaries will, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant

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any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities of our Company, in cash or otherwise (whether or not the issue of our Shares or such other securities will be completed within the aforesaid period); and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of H Shares or other securities of our Company.

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, irrevocably and unconditionally, undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and exercise of the over-allotment option, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, a group of Controlling Shareholders (as defined in the Listing Rules) of our Company.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date on which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any of the Shares or securities of our Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the Joint Sponsors, the Joint Global Coordinators and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters are expected to severally, but not jointly, agree to procure subscribers for the International Offer Shares initially being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are

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subject to the Over-allotment Option). The International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. Pursuant to the International Underwriting Agreement, our Company will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the sub-section headed “Undertakings by our Company — Undertakings to the Hong Kong Underwriters” in this section of the prospectus.

Commission and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of 1.80% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$25.20 million (based on the mid-point of our indicative Offer Price range).

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$2.80 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$80.6 million in total, and are payable by our Company.

JOINT GLOBAL COORDINATORS’ AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Joint Global Coordinators and the other Underwriters will receive underwriting commissions. Particulars of these underwriting commissions and expenses are set out under the sub-section headed “Commission and expenses” in this section of this prospectus.

We have appointed Zhongtai International Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Joint Global Coordinators and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in the Global Offering.

JOINT SPONSORS’ INDEPENDENCE

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

The Global Offering consists of the Hong Kong Public Offering and the International Offering.

Zhongtai International Securities, CSCI, Guotai Junan, CCB International and GF Securities are the Joint Global Coordinators of the Global Offering.

An aggregate of 50,000,000 H Shares have been initially allocated to the Hong Kong Public Offering for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 450,000,000 H Shares are initially offered under the International Offering for subscription, subject to re-allocation and the Over-allotment Option as mentioned below and under the Listing Rules.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Offering which are not allowed and are bound to be rejected.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$3.10 per Hong Kong Offer Share and is expected to be not less than HK\$2.50 per Hong Kong Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable upon application for the Hong Kong Offer Shares

Investors of the Hong Kong Offer Shares will be required to pay the maximum indicative Offer Price of HK\$3.10 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,131.24 for each board lot of 1,000 H Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, without interest.

STRUCTURE OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Thursday, 12 July 2018.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 12 July 2018 and in any event, no later than Wednesday, 18 July 2018.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Wednesday, 18 July 2018, the Global Offering will not proceed and will lapse.

Reduction in indicative Offer Price range and/or number of Offer Shares

The Joint Global Coordinators (for themselves and the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of the Offer Shares offered in the Global Offering and/or the indicative Offer Price range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.qlecl.com an announcement/a supplemental prospectus (as appropriate) in connection with the reduction, and our Company will give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances. Upon issue of such announcement/supplemental prospectus (as appropriate), the number of the Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such announcement/supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result

STRUCTURE OF THE GLOBAL OFFERING

of such reduction. In the absence of any such announcement/supplemental prospectus (as appropriate) so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In the event of a reduction in the number of H Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of H Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of H Shares in the Global Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, the H Shares in issue, any H Shares to be issued pursuant to the Global Offering and the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (ii) the agreement on the final Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of International Underwriters under the International Offering Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of respective agreements,

in each case, on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Offering Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Global Offering will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.qlecl.com on the next day following such lapse. In such event, all application monies will be refunded, without interest. The terms on which the application monies will be refunded are set out under "Refund of your money" on the Application Forms. In the

STRUCTURE OF THE GLOBAL OFFERING

meantime, all application monies received from the Hong Kong Public Offering will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong.

THE HONG KONG PUBLIC OFFERING

We are initially offering 50,000,000 H Shares under the Hong Kong Public Offering, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below and under the Listing Rules. The Hong Kong Public Offering is managed by the Joint Global Coordinators and is fully underwritten by the Hong Kong Underwriters (subject to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the final Offer Price). Applicants for the Hong Kong Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$3.10 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for the Hong Kong Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any International Offer Shares nor otherwise participated in the International Offering. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is bound to be rejected. The Hong Kong Public Offering will be subject to the conditions stated under sub-section headed "Conditions of the Global Offering" in this section of this prospectus.

If the Hong Kong Offer Shares under the Hong Kong Public Offering are not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) have the authority to re-allocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering, in such number as it deems appropriate to satisfy demand under the International Offering.

The total number of the Hong Kong Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Hong Kong Offer Shares

When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any re-allocation referred to below) is to be divided equally into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 25,000,000 and 25,000,000, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5.0 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee).

Each applicant should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 25,000,000 Hong Kong Offer Shares (being 50% of the 50,000,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

THE INTERNATIONAL OFFERING

We are initially offering 450,000,000 H Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of the International Offering, subject to re-allocation as mentioned below and under the Listing Rules. Investors subscribing for the International Offer Shares are also required to pay brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

All decisions concerning the allocation of the International Offer Shares to prospective places pursuant to the International Offering will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company. In addition, our Company and the Joint

STRUCTURE OF THE GLOBAL OFFERING

Global Coordinators will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the International Offer Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of the International Offer Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Hong Kong Offer Shares to the International Offering as mentioned under the sub-section headed “Re-allocation between the International Offering and the Hong Kong Public Offering” in this section of this prospectus.

RE-ALLOCATION BETWEEN THE INTERNATIONAL OFFERING AND THE HONG KONG PUBLIC OFFERING

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment on the following basis:

- (i) If the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then the number of Offer Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase to 150,000,000 Shares, representing 30% of the total number of the Offer Shares available under the Global Offering;
- (ii) If the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then the number of Offer Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase to 200,000,000 Shares, representing 40% of total number of the Offer Shares available under the Global Offering; and
- (iii) If the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then the number of Offer Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase to 250,000,000 Shares, representing 50% of the total number of the Offer Shares available under the Global Offering.

In the cases of (i), (ii) and (iii) above, the number of the Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate.

STRUCTURE OF THE GLOBAL OFFERING

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more but less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are undersubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators may, at their discretion, re-allocate the Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 100,000,000 Shares, representing double the number of Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering.

Subject to the aforesaid re-allocation mechanism, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Global Coordinators. If the Offer Shares under the International Offering are fully subscribed or oversubscribed and the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to re-allocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deems appropriate. Without prejudice to above paragraphs, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may at their sole discretion re-allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Global Offering, regardless of whether any re-allocation is triggered.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Wednesday, 18 July 2018.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) the Over-allotment Option which is exercisable starting from the Listing Date and is expected to expire on the 30th day after the last day of lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and issue up to and not more than 75,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Offering. The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or otherwise as may be permitted under the applicable laws

STRUCTURE OF THE GLOBAL OFFERING

and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 75,000,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, Zhongtai International Securities, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong and elsewhere, over-allocate Shares or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 75,000,000 additional Shares, being the number of our Shares that may be issued under the Over-allotment Option and which is 15% of our Shares initially available under the Global Offering. The stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following actions ("**primary stabilising action**") with respect to any Shares during the stabilisation period, which is expected to begin on the Listing Date and expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering:

- (1) over-allocating for the purpose of preventing or minimising any reduction in the market price of our H Shares;
- (2) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our H Shares;
- (3) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (1) or (2) above;
- (4) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (5) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases; and
- (6) offering or attempting to do anything as described in paragraph (2), (3), (4) or (5).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;
- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which is expected to begin on the Listing Date and expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE OF THE GLOBAL OFFERING

LISTING DATE

Assuming that the Global Offering becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Thursday, 19 July 2018.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a duly authorised person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of our Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Monday, 9 July 2018 at:

- (i) any of the following offices of the Hong Kong Underwriters:

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

**China Securities (International)
Corporate Finance Company Limited**

18/F,
Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F,
Low Block, Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

CCB International Capital Limited

12/F,
CCB Tower, 3 Connaught Road Central,
Central, Hong Kong

GF Securities (Hong Kong) Brokerage Limited

29–30/F,
Li Po Chun Chambers,
189, Des Voeux Road Central,
Hong Kong

ICBC International Securities Limited

37/F,
ICBC Tower,
3 Garden Road,
Hong Kong

ABCI Securities Company Limited

10/F,
Agricultural Bank of China Tower,
50 Connaught Road Central,
Central, Hong Kong

SPDB International Capital Limited

Suites 3207–3212,
One Pacific Place,
88 Queensway,
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the following receiving banks:

(a) Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central District (Wing On House) Branch	71 Des Voeux Road Central
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

(b) Industrial and Commercial Bank of China (Asia) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Wanchai Road Branch	G/F Times Media Centre, 133 Wan Chai Road, Hong Kong
Kowloon	Telford Branch	Shop F19, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong, New Territories, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Monday, 9 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **BANK OF CHINA (HONG KONG) NOMINEES LIMITED — QILU EXPRESSWAY PUBLIC OFFER** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 29 June 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 30 June 2018	—	9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 5 July 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 6 July 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 7 July 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 9 July 2018	—	9:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Friday, 29 June 2018 through Monday, 9 July 2018, being longer than normal market practice of four days.

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 9 July 2018 the last application day or such later time as described in “10. Effect of bad weather on the opening of the Application Lists” in this section.

The application for the Hong Kong Offer Shares will commence on Friday, 29 June 2018 through Monday, 9 July 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving banks on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 18 July 2018. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Thursday, 19 July 2018.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act as, or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Sponsors and/or the Joint Global Coordinators (or their agents or nominees) as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, PRC Company Law, Securities Law and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) (if the laws of any place outside Hong Kong apply to your application), agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and not a U.S. person;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the sub-section headed “2. Who can apply” in this section of this prospectus may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 June 2018 until 11:30 a.m. on Monday, 9 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 9 July 2018 or such later time under the sub-section headed “10. Effect of bad weather on the opening of the Application Lists” in this section of this prospectus.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.00 for each “Qilu Expressway Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representation, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our H Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of any one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Offering results;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, Securities Law and the Articles of Association;
- agree with our Company, for itself and for the benefit of each Shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that H shares in our Company are freely transferable by their holders;
- authorise our Company to enter into a contract on your behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 June 2018	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 3 July 2018	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 4 July 2018	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 5 July 2018	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 6 July 2018	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 7 July 2018	—	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 9 July 2018	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon, Monday, 9 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon, Monday, 9 July 2018, the last application day or such later time as described in “10. Effect of bad weather on the opening of the Application Lists”.

The application for the Hong Kong Offer Shares will commence on Friday, 29 June 2018 through Monday, 9 July 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving banks on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 18 July 2018. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Thursday, 19 July 2018.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon, Monday, 9 July 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Stock Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the sub-section headed “Structure of the Global Offering — Determining the Offer Price” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Monday, 9 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 18 July 2018 in the newspapers and on our Company’s website at www.qlecl.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.qlecl.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 18 July 2018;
- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 18 July 2018 to 12:00 midnight on Tuesday, 24 July 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 18 July 2018 to Saturday, 21 July 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 18 July 2018 to Friday, 20 July 2018 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 18 July 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 18 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 19 July 2018 provided that the Global Offering has become unconditional and the right of termination described in the sub-section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the 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 from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018 or such other date as notified by our Company in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 18 July 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 18 July 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 18 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our 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, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 18 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank

HOW TO APPLY FOR HONG KONG OFFER SHARES

accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 18 July 2018 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of results" above on Wednesday, 18 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 18 July 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 18 July 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from our Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QILU EXPRESSWAY COMPANY LIMITED, ZHONGTAI INTERNATIONAL CAPITAL LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Qilu Expressway Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-66, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the company statements of financial position as at 31 December 2015, 2016 and 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2018 (the “**Prospectus**”) in connection with the initial listing of the H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2015, 2016 and 2017, and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by Qilu Expressway Company Limited in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

29 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	5	861,949	999,846	1,045,060
Cost of sales	7	(382,531)	(297,496)	(292,850)
Gross profit		479,418	702,350	752,210
Administrative expenses	7	(46,030)	(44,837)	(48,242)
Other gains — net	6	339	761	5,397
Operating profit		433,727	658,274	709,365
Finance income		1,549	1,689	4,596
Finance costs		(98,448)	(70,681)	(47,428)
Finance costs — net	9	(96,899)	(68,992)	(42,832)
Profit before income tax		336,828	589,282	666,533
Income tax expense	10	(84,557)	(147,479)	(167,661)
Profit for the year from continuing operations.		252,271	441,803	498,872
Discontinued operations				
Profit for the year from discontinued operations	21	891	6,872	32,032
Profit and total comprehensive income for the year		253,162	448,675	530,904
Profit and total comprehensive income attributable to:				
— Owners of the Company		250,296	443,226	528,152
— Non-controlling interests		2,866	5,449	2,752
		253,162	448,675	530,904
Profit/(loss) and total comprehensive income attributable to owners of the Company arises from				
— Continuing operations		252,271	441,803	498,872
— Discontinued operations		(1,975)	1,423	29,280
		250,296	443,226	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		0.17	0.30	0.33
— Discontinued operations		—	—	0.02
		0.17	0.30	0.35
Dividends	11	244,393	128,000	282,769

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	13	240,109	158,037	138,822
Investment properties	14	49,914	47,239	—
Intangible assets	15	3,148,384	2,991,724	2,873,700
Deferred income tax assets	27	294	763	299
Other receivables	18	10,000	6,000	3,422
		<u>3,448,701</u>	<u>3,203,763</u>	<u>3,016,243</u>
Current assets				
Inventories	17	4,920	6,102	1,553
Trade and other receivables	18	179,506	184,794	204,255
Cash and cash equivalents	19	55,613	367,549	415,835
		<u>240,039</u>	<u>558,445</u>	<u>621,643</u>
Non-current assets held for sale	20	—	69,117	—
Total assets		<u>3,688,740</u>	<u>3,831,325</u>	<u>3,637,886</u>
Equity and liabilities				
Equity attributable to owners of the Company				
Issued capital/Share capital	22	1,480,500	1,500,000	1,500,000
Capital reserves	23	—	361,316	361,316
Other reserves	23	62,664	35,650	89,939
Retained earnings	24	373,212	334,636	525,730
		<u>1,916,376</u>	<u>2,231,602</u>	<u>2,476,985</u>
Non-controlling interests		22,724	25,336	—
Total equity		<u>1,939,100</u>	<u>2,256,938</u>	<u>2,476,985</u>
Liabilities				
Non-current liabilities				
Borrowings	25	1,285,000	925,000	540,000
Trade and other payables	26	—	8,065	28,313
Deferred income tax liabilities	27	30,603	34,583	31,157
		<u>1,315,603</u>	<u>967,648</u>	<u>599,470</u>
Current liabilities				
Trade and other payables	26	137,235	129,935	158,046
Current income tax liabilities		33,447	37,659	21,155
Borrowings	25	230,000	375,000	285,000
Provisions	28	33,355	64,145	97,230
		<u>434,037</u>	<u>606,739</u>	<u>561,431</u>
Total liabilities		<u>1,749,640</u>	<u>1,574,387</u>	<u>1,160,901</u>
Total equity and liabilities		<u>3,688,740</u>	<u>3,831,325</u>	<u>3,637,886</u>

THE COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Investments in subsidiaries	16	18,653	18,653	8,008
Property, plant and equipment	13	212,488	128,161	134,530
Investment properties	14	49,914	47,239	—
Intangible assets	15	3,148,384	2,991,724	2,873,700
Other receivables	18	10,000	6,000	3,422
		<u>3,439,439</u>	<u>3,191,777</u>	<u>3,019,660</u>
Current assets				
Inventories	17	433	744	1,553
Trade and other receivables	18	171,179	166,718	203,533
Cash and cash equivalents	19	23,349	334,805	412,111
		<u>194,961</u>	<u>502,267</u>	<u>617,197</u>
Non-current assets held for sale	20	—	69,117	—
Total assets		<u>3,634,400</u>	<u>3,763,161</u>	<u>3,636,857</u>
Equity and liabilities				
Equity				
Issued capital/Share capital	22	1,480,500	1,500,000	1,500,000
Capital reserves	23	—	361,316	361,316
Other reserves	23	62,664	35,650	89,939
Retained earnings	24	363,046	320,850	526,678
Total equity		<u>1,906,210</u>	<u>2,217,816</u>	<u>2,477,933</u>
Liabilities				
Non-current liabilities				
Borrowings	25	1,285,000	925,000	540,000
Other payables	26	—	—	28,313
Deferred income tax liabilities	27	30,603	34,583	31,157
		<u>1,315,603</u>	<u>959,583</u>	<u>599,470</u>
Current liabilities				
Trade and other payables	26	116,349	110,726	156,069
Current income tax liabilities		32,883	35,891	21,155
Borrowings	25	230,000	375,000	285,000
Provisions	28	33,355	64,145	97,230
		<u>412,587</u>	<u>585,762</u>	<u>559,454</u>
Total liabilities		<u>1,728,190</u>	<u>1,545,345</u>	<u>1,158,924</u>
Total equity and liabilities		<u>3,634,400</u>	<u>3,763,161</u>	<u>3,636,857</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					
	Issued capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2015	1,480,500	44,653	385,320	1,910,473	21,383	1,931,856
Comprehensive income						
Profit for the year	—	—	250,296	250,296	2,866	253,162
Total comprehensive income	—	—	250,296	250,296	2,866	253,162
Transactions with owners in their capacity as owners						
Appropriation to reserve fund	—	18,011	(18,011)	—	—	—
Dividends	—	—	(244,393)	(244,393)	(1,525)	(245,918)
	—	18,011	(262,404)	(244,393)	(1,525)	(245,918)
Balance at 31 December 2015	<u>1,480,500</u>	<u>62,664</u>	<u>373,212</u>	<u>1,916,376</u>	<u>22,724</u>	<u>1,939,100</u>

	Equity attributable to owners of the Company						
	Issued capital/ Share capital	Capital reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2016	1,480,500	—	62,664	373,212	1,916,376	22,724	1,939,100
Comprehensive income							
Profit for the year	—	—	—	443,226	443,226	5,449	448,675
Total comprehensive income	—	—	—	443,226	443,226	5,449	448,675
Transactions with owners in their capacity as owners							
Capitalisation of retained earnings and other reserves upon transformation into joint stock company	19,500	361,316	(62,664)	(318,152)	—	—	—
Appropriation to statutory reserves	—	—	35,650	(35,650)	—	—	—
Dividends	—	—	—	(128,000)	(128,000)	(2,837)	(130,837)
	19,500	361,316	(27,014)	(481,802)	(128,000)	(2,837)	(130,837)
Balance at 31 December 2016	<u>1,500,000</u>	<u>361,316</u>	<u>35,650</u>	<u>334,636</u>	<u>2,231,602</u>	<u>25,336</u>	<u>2,256,938</u>

	Equity attributable to owners of the Company						<u>Total equity</u> RMB'000
	<u>Share capital</u>	<u>Capital reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 29(e))	—	—	—	—	—	(28,088)	(28,088)
	—	—	54,289	(337,058)	(282,769)	(28,088)	(310,857)
Balance at 31 December 2017	<u>1,500,000</u>	<u>361,316</u>	<u>89,939</u>	<u>525,730</u>	<u>2,476,985</u>	<u>—</u>	<u>2,476,985</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	29(a)	638,061	897,254	875,644
Interest received		1,821	1,874	4,673
Income tax paid		(93,039)	(141,141)	(204,677)
Net cash generated from operating activities		<u>546,843</u>	<u>757,987</u>	<u>675,640</u>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	29(b)	135	242	112,107
— Continuing operations		<u>135</u>	<u>242</u>	<u>5,018</u>
— Discontinued operations		—	—	<u>107,089</u>
Proceeds from disposal of investment properties	29(b)	—	—	63,921
Proceeds from other investing activities	29(f)	—	—	52,724
Purchase of property, plant and equipment and intangible assets		(41,284)	(18,668)	(36,899)
Disposal of subsidiaries, net of cash disposed	29(e)	<u>—</u>	<u>—</u>	<u>(3,373)</u>
Net cash (used in)/generated from investing activities		<u>(41,149)</u>	<u>(18,426)</u>	<u>188,480</u>
Cash flows from financing activities				
Proceeds from borrowings	29(d)	—	550,000	—
Repayment of borrowings	29(d)	(235,000)	(765,000)	(475,000)
Interest paid		(99,299)	(69,439)	(50,939)
Dividends paid to the Company's shareholders		(244,393)	(128,000)	(282,769)
Dividends paid to non-controlling interests		—	(4,362)	—
Listing costs paid		—	(10,824)	(7,126)
Net cash used in financing activities		<u>(578,692)</u>	<u>(427,625)</u>	<u>(815,834)</u>
Net (decrease)/increase in cash and cash equivalents				
Net (decrease)/increase in cash and cash equivalents		(72,998)	311,936	48,286
Cash and cash equivalents at the beginning of the year		<u>128,611</u>	<u>55,613</u>	<u>367,549</u>
Cash and cash equivalents at the end of the year		<u><u>55,613</u></u>	<u><u>367,549</u></u>	<u><u>415,835</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Qilu Expressway Company Limited (formerly known as Shandong Jihe 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.

Upon the incorporation of the Company, the shareholders of the Company were the Highway Bureau of the Shandong Provincial Traffic Transport Department (山東省交通運輸廳公路局, formerly known as the Highway Bureau of the Shandong Provincial Transport Department (山東省交通廳公路局)) (“**Shandong Highway Bureau**”), COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) (“**COSCO SHIPPING (Hong Kong)**”) 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 Company Limited)) (“**Shandong Construction**”). In December 2015, Shandong Highway Bureau transferred all of its equity interest in the Company to 齊魯交通發展集團有限公司 (Qilu Transportation Development Group Company Limited) (“**Qilu Transportation**”).

As at the date of this report, the shareholders of the Company are Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction, which hold 51.90%, 40.00% and 8.10% of the equity interests in the Company, respectively.

Pursuant to a 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 “**Concession Agreement**”), 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, starting 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 (the toll road business and the outdoor advertising production and distribution business are collectively defined as the “**Listing Business**”).

The Company also has subsidiaries, 山東濟荷高速石化油氣管理有限公司 (Shandong Jihe Expressway Petroleum Management Company Limited) (“**Jihe Petroleum**”) and Shandong Jihe Expressway Service Company Limited (山東濟荷高速服務有限公司) (“**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**”). These two subsidiaries together with certain property, plant and equipment and investment properties of the Company which are directly attributable to the Disposed Business (Notes 13(b) and 14(c)) were disposed by the Company pursuant to a Reorganisation, as detailed in Note 1.2.

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

1.2 Reorganisation

During the Track Record Period and up to the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and paid-in capital <i>RMB</i>	Attributable equity interest of the Group			As at the date of this report	Principal activities	Note
			As at 31 December		2017			
			2015	2016				
Directly owned:								
Jihe Petroleum.	PRC, 25 December 2007	24,810,510	51%	51%	—	— Sales of petrochemical, oil and gas	(ii), (iii)	
Jihe Service.	PRC, 6 February 2005	6,000,000	100%	100%	—	— Service area leasing and management	(ii), (iii)	
Indirectly/directly owned:								
Shunguang Culture Media	PRC, 15 January 2015	3,000,000	100%	100%	100%	100% Advertisement production and distribution	(i), (ii) (iv)	

- (i) The Shunguang Culture Media was transferred from Jihe Service to the Company in April 2017, and thereafter, Shunguang Culture Media became a directly owned subsidiary of the Company.
- (ii) The financial statements of Jihe Petroleum, Jihe Service and Shunguang Culture Media for the year ended 31 December 2015 were audited by Shandong Rudder Accounting Company Limited.
- (iii) The financial statements of Jihe Petroleum and Jihe Service for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Zhong Tian LLP.
- (iv) The financial statements of Shunguang Culture Media for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Zhong Tian LLP.

In order to streamline the corporate structure of the Group for the purpose of listing of the Company's H Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), a reorganisation (the "Reorganisation") was undertaken as set out below:

In April 2017, the Company disposed its entire equity interests in two subsidiaries which are engaged in the Disposed Business, namely Jihe Petroleum and Jihe Service, to 齊魯交通服務開發集團有限公司 (Qilu Transportation Service Development Group Company Limited, formerly known as 齊魯交通服務開發有限公司 (Qilu Transportation Service Development Company Limited)) ("Qilu Service Development"), a wholly owned subsidiary of Qilu Transportation, at an aggregate consideration of RMB42,587,000, resulting in a gain of RMB5,909,000 as detailed in Note 29(e). In addition, the Company disposed certain of its buildings, equipment and machineries and investment properties directly attributable to the Disposed Business to Qilu Transportation at a total consideration of RMB158,924,000, resulting in a gain of RMB37,722,000 (Note 29(b)), as detailed in Note 13, Note 14 and Note 21(b).

Accordingly, operating results of the Disposed Business during the Track Record Period were presented as discontinued operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.1.1 New standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments to standards and interpretations which are not yet effective for the Track Record Period and which have not been early adopted by the Group:

		Effective for accounting year beginning on or after	<i>Note</i>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
HKFRS 9	Financial Instruments	1 January 2018	i
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018	
HKFRS 15	Revenue from Contracts with Customers	1 January 2018	ii
HKFRS 16	Leases	1 January 2019	iii
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	
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 January 2018	
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018	
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019	
HKFRS 17	Insurance Contracts	1 January 2021	
Annual improvement project	Annual Improvement 2015–2017 Cycle	1 January 2019	

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, 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.

- (i) HKFRS 9 'Financial Instruments'. HKFRS 9 (2014), 'Financial instruments' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in combined statements of comprehensive income.

HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39.

HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables, this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

The standard is effective for accounting periods beginning on or after 1 January 2018. The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group assessed the impact on the classification and measurement of its financial assets or financial liability, no significant impact identified.

The Group does not have hedge instruments. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The historical credit losses are immaterial. Given substantially all of the receivables comes from Shandong Highway Bureau, a government bureau, which will be settled in three months, the Group is of the view that the impact affected by the new model will be insignificant.

The standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018. Comparatives for 2017 will not be restated.

- (ii) HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group assessed the impact of adoption of HKFRS 15 by analysing the Group’s key revenue streams against the 5-step approach and does not expect the adoption would have a material impact other than presenting more disclosures.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- (iii) HKFRS 16 ‘Lease’. 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 balance sheet. 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 statements 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 statements of financial position. As for the financial performance impact 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.

2.2 Subsidiaries

2.2.1 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) *Disposal of subsidiaries*

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

2.2.2 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 information exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 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.

The chief operating decision-maker assesses the performance of the operating business segments set out below before the Reorganisation:

- expressway business,
- advertisement services business,
- petroleum and gas business, and
- service area business.

After the Reorganisation, the petroleum and gas business and service area business are disclosed as discontinued operations during the Track Record Period.

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

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

2.4 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 income statement during the financial period in which they are incurred.

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

	<u>Estimated useful life</u>
Buildings	20–40 years
Highway 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 2.8).

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

2.5 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 2.4 above.

2.6 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 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.

2.7 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**”). According to HK(IFRIC) Interpretation 12, 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 balance sheet, 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 periods from the toll road officially opened 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 2.8).

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.

2.8 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).

2.9 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.10 Financial assets

2.10.1 Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheets (Notes 2.13 and 2.14).

2.10.2 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 income statement. 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 income statement within “Other (losses)/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 income statement as part of other income when the Group’s right to receive payments is established.

2.11 Impairment of financial assets

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.

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 income statement. 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 consolidated income statement.

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 and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

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 payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 income statement over the period of the borrowings using the effective interest method.

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

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

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.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax*Inside basis differences*

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

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 and 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 balance sheet.

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.

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, are taken into account as a whole in reaching the best estimate of a provision.

The carrying amount of provisions is reviewed at each balance sheet date 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 incomes. 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.

(c) Service income

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

(d) Dividend income

Dividend income is recognised when the rights 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.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. 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 Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of 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 shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's Directors before December 2016, and by the Company's shareholders after December 2016.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(ii) Interest rate risk

The Group and the Company are 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 25. Summarised quantitative data of the Group's and the Company's interest-bearing financial instruments are set out in Note 3.1(c) below.

All of the Group's and the Company's borrowings are long term and floating interest rate facilities and hence expose the Group and the Company to cash flow interest rate risk. The Group's and the Company'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.

Sensitivity analysis for interest rate risk

As at 31 December 2015, 2016 and 2017, if market interest rate is 50 basis points higher with all other variables held constant, the Group's and the Company's net profit would decrease by approximately RMB5,681,000, RMB4,875,000 and RMB3,094,000, respectively. 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 and the Company's credit risk mainly arises from receivables. The carrying amounts of trade and other receivables represented the Group's and the Company'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 and the Company do 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 and the Company'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.

(c) Liquidity risk

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

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

Group	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015						
Trade and other payables (excluded non-financial liabilities)	—	92,445	—	—	—	92,445
Borrowings		230,000	235,000	750,000	300,000	1,515,000
Interest payments on borrowings	4.46%	66,241	55,444	103,485	19,102	244,272
		388,686	290,444	853,485	319,102	1,851,717

Group	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2016						
Trade and other payables (excluded non-financial liabilities)	—	73,632	202	4,695	3,168	81,697
Borrowings		375,000	385,000	540,000	—	1,300,000
Interest payments on borrowings	4.35%	49,905	33,495	32,561	—	115,961
		<u>498,537</u>	<u>418,697</u>	<u>577,256</u>	<u>3,168</u>	<u>1,497,658</u>

Group	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2017						
Trade and other payables (excluded 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
		<u>442,755</u>	<u>316,821</u>	<u>264,686</u>	<u>19,367</u>	<u>1,043,629</u>

Company	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015						
Trade and other payables (excluded non-financial liabilities)	—	87,449	—	—	—	87,449
Borrowings		230,000	235,000	750,000	300,000	1,515,000
Interest payments on borrowings	4.46%	66,241	55,444	103,485	19,102	244,272
		<u>383,690</u>	<u>290,444</u>	<u>853,485</u>	<u>319,102</u>	<u>1,846,721</u>

<u>Company</u>	<u>Weighted average interest rate</u>	<u>Within 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>	<u>After 5 years</u>	<u>Total</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2016						
Trade and other payables (excluded non-financial liabilities)	—	71,388	—	—	—	71,388
Borrowings		375,000	385,000	540,000	—	1,300,000
Interest payments on borrowings	4.35%	49,905	33,495	32,561	—	115,961
		<u>496,293</u>	<u>418,495</u>	<u>572,561</u>	<u>—</u>	<u>1,487,349</u>

<u>Company</u>	<u>Weighted average interest rate</u>	<u>Within 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>	<u>After 5 years</u>	<u>Total</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2017						
Trade and other payables (excluded non-financial liabilities)	—	123,672	2,103	6,843	19,367	151,985
Borrowings		285,000	295,000	245,000	—	825,000
Interest payments on borrowings	4.37%	33,261	19,718	12,843	—	65,822
		<u>441,933</u>	<u>316,821</u>	<u>264,686</u>	<u>19,367</u>	<u>1,042,807</u>

3.2 Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group's and the Company'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 and the Company 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 and the Company monitor 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 balance sheets and the Company's balance sheets) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheets and the Company's balance sheets plus net debt.

The Group and the Company's overall strategy remains unchanged during the financial years.

The gearing ratios at 31 December 2015, 2016 and 2017 were as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
Total borrowings (Note 25)	1,515,000	1,300,000	825,000
Less: Cash and cash equivalents (Note 19)	<u>(55,613)</u>	<u>(367,549)</u>	<u>(415,835)</u>
Net debt	1,459,387	932,451	409,165
Total equity	<u>1,939,100</u>	<u>2,256,938</u>	<u>2,476,985</u>
Total capital	<u>3,398,487</u>	<u>3,189,389</u>	<u>2,886,150</u>
Gearing ratio	<u>42.94%</u>	<u>29.24%</u>	<u>14.18%</u>
	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
Total borrowings (Note 25)	1,515,000	1,300,000	825,000
Less: Cash and cash equivalents (Note 19)	<u>(23,349)</u>	<u>(334,805)</u>	<u>(412,111)</u>
Net debt	1,491,651	965,195	412,889
Total equity	<u>1,906,210</u>	<u>2,217,816</u>	<u>2,477,933</u>
Total capital	<u>3,397,861</u>	<u>3,183,011</u>	<u>2,890,822</u>
Gearing ratio	<u>43.90%</u>	<u>30.32%</u>	<u>14.28%</u>

The decrease in gearing ratios are primarily due to the accumulation of operating profits during the years.

3.3 Fair value estimation

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the Historical Financial Information.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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 2.7, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructures to a specified level 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.

Provisions for maintenance obligations at the balance sheet date had been provided by the directors based on the maintenance evaluation according to the physical condition of toll road at the balance sheet date (Note 28). The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve the directors' estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities.

(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 by the balance sheet date. If the final assumptions and profit were to be differed from management's current estimates, the Group would account for the change prospectively.

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

5 REVENUE

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expressway business	861,511	997,161	1,041,617
Advertisement business	438	2,685	3,443
	<u>861,949</u>	<u>999,846</u>	<u>1,045,060</u>

6 OTHER GAINS — NET

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gains on disposals of property, plant and equipment	(449)	(372)	2,804
Compensation income from road damages	585	1,203	1,403
Donations	(96)	(124)	(39)
Others	299	54	1,229
	<u>339</u>	<u>761</u>	<u>5,397</u>

7 EXPENSES BY NATURE

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation	178,138	182,369	181,158
— Concession intangible assets (Note 15)	166,366	170,266	170,377
— Property, plant and equipment (Note 13(a))	11,772	12,103	10,781
Employee benefit expenses (Note 8)	55,347	57,381	65,272
Other tax and surcharges	32,171	14,098	7,403
Maintenance costs and provisions (Note 28)	145,069	71,601	71,686
Utilities and electricity	3,204	3,253	2,829
Transportation cost	3,220	2,839	1,782
Office and conference expenses	780	940	969
Auditors' remuneration	30	600	250
Property services charges	1,230	954	987
Bank charges	218	268	289
Listing expenses	—	2,584	5,009
Others	9,154	5,446	3,458
Total cost of sales and administrative expenses	<u>428,561</u>	<u>342,333</u>	<u>341,092</u>

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

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonus	34,450	36,060	40,142
Social security costs	6,653	7,128	7,328
Pension costs — defined contribution plans (Note a) . . .	6,333	6,962	7,795
Welfare expenses	7,911	7,231	10,007
	<u>55,347</u>	<u>57,381</u>	<u>65,272</u>

(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 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% to 19% 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, effective from November 2012, the Group operates an additional employee pension plan. All the employees are entitled to an additional pension aggregating to 5% of the previous year's salaries. The Group has no further obligation for this additional employee pension plan beyond the contribution made.

(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 2015						
	Director's	Wages and		Social	Pension	Welfare	Total
	Emoluments	salaries	Bonuses	security cost	costs — defined contribution plans	expenses	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<i>Chairman of the Board</i>							
Mr. Gang Li (i)	—	260	243	44	51	47	645
<i>Executive director</i>							
Mr. Hui Peng (ii)	—	275	150	44	41	40	550
<i>Non-Executive directors</i>							
Mr. Ping Leng (iii)	—	—	—	—	—	—	—
Mr. Shaochen Wang (iv)	—	—	—	—	—	—	—
Mr. Dengyi Wu (iv)	—	—	—	—	—	—	—
Mr. Jie Li (iv)	—	—	—	—	—	—	—
Mr. Long Wang (iv)	—	—	—	—	—	—	—
Mr. Xiaodong Su (iii)	—	—	—	—	—	—	—
<i>Chairman of the Board of Supervisors</i>							
Mr. Qinghui Meng (v)	—	—	—	—	—	—	—
<i>Supervisors</i>							
Mr. Ligang Liu (vi)	—	—	—	—	—	—	—
Mr. Yongfu Wu (vii)	—	—	—	—	—	—	—
Mr. Dehong Hao (viii)	—	136	96	38	36	25	331
Ms. Qinghong Hou (viii)	—	111	66	30	31	18	256
Total	—	782	555	156	159	130	1,782

Year ended 31 December 2016

Name	Director's	Wages and	Bonuses	Social	Pension	Welfare	Total
	Emoluments	salaries		security cost	costs — defined contribution plans	expenses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman of the Board</i>							
Mr. Gang Li (i)	—	259	265	48	62	42	676
<i>Executive director</i>							
Mr. Hui Peng (ii)	—	275	265	48	62	42	692
<i>Non-Executive directors</i>							
Mr. Ping Leng (iii)	—	—	—	—	—	—	—
Mr. Shaochen Wang (iv)	—	—	—	—	—	—	—
Mr. Dengyi Wu (iv)	—	—	—	—	—	—	—
Mr. Jie Li (iv)	—	—	—	—	—	—	—
Mr. Long Wang (iv)	—	—	—	—	—	—	—
Mr. Xiaodong Su (iii)	—	—	—	—	—	—	—
<i>Chairman of the Board of Supervisors</i>							
Mr. Qinghui Meng (v)	—	—	—	—	—	—	—
<i>Supervisors</i>							
Mr. Ligang Liu (vi)	—	—	—	—	—	—	—
Mr. Yongfu Wu (vii)	—	—	—	—	—	—	—
Mr. Dehong Hao (viii)	—	144	96	42	39	23	344
Ms. Qinghong Hou (viii)	—	116	81	34	33	19	283
Mr. Shengguo Lian (ix)	—	—	—	—	—	—	—
Total	—	794	707	172	196	126	1,995

Year ended 31 December 2017							
Name	Director's	Wages and	Bonuses	Social	Pension	Welfare	Total
	Emoluments	salaries		security cost	costs — defined contribution	expenses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman of the Board</i>							
Mr. Gang Li (i)	—	262	285	73	66	42	728
<i>Executive director</i>							
Mr. Hui Peng (ii)	—	272	285	73	66	42	738
<i>Non-Executive directors</i>							
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)	—	—	—	—	—	—	—
<i>Chairman of the Board of Supervisors</i>							
Ms. Xin Meng (x)	—	—	—	—	—	—	—
Mr. Qinghui Meng (v)	—	—	—	—	—	—	—
<i>Supervisors</i>							
Mr. Ligang Liu (vi)	—	—	—	—	—	—	—
Mr. Yongfu Wu (vii)	—	—	—	—	—	—	—
Mr. Dehong Hao (viii)	—	149	102	55	43	23	372
Ms. Qinghong Hou (viii)	—	129	85	47	39	19	319
Mr. Shengguo Lian (ix)	—	152	101	55	44	23	375
Total	—	964	858	303	258	149	2,532

- (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. Xiaodong Su were appointed as Non-Executive Director 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 Director 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. And Ms. Xin Meng was appointed as Chairman of the Board of Supervisors of the Company in December 2017.

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 each of the years ended 31 December 2015, 2016 and 2017 is minimal.

(c) Directors' retirement benefits and termination benefits

During the Track Record Period, none of the directors received any retirement benefits or termination benefits.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(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 entered into between the Group and the directors and in favour of directors, controlled bodies corporate by and connected entities with such directors at the end of 31 December 2015, 2016 and 2017, or at any time during the Track Record Period.

(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 each of 31 December 2015, 2016 and 2017, or at any time during the Track Record Period.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2015, 2016 and 2017 include 2, 2 and 2 directors, respectively, details of whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining 3, 3 and 3 individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and social security cost	843	857	914
Pension costs — defined contribution plans	141	171	181
Bonuses	621	645	676
Welfare expenses	123	108	110
	<u>1,728</u>	<u>1,781</u>	<u>1,881</u>

The number of highest paid non-director individuals, whose remuneration for the Track Record Period fell within the following bands:

	Year ended 31 December		
	2015	2016	2017
Emolument bands			
Nil to HKD1,000,000	3	3	3

9 FINANCE COSTS — NET

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs			
Bank borrowings interest expenses	(98,448)	(70,681)	(47,428)
Finance income			
Interest income on bank deposits	1,549	1,689	4,596
Finance costs — net.	<u>(96,899)</u>	<u>(68,992)</u>	<u>(42,832)</u>

10 INCOME TAX EXPENSE

During the years ended 31 December 2015, 2016 and 2017, 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		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	97,324	143,499	171,386
Deferred income tax (Note 27)	(12,767)	3,980	(3,725)
Income tax expense from continuing operation	<u>84,557</u>	<u>147,479</u>	<u>167,661</u>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to profit of the combined entities as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax (from continuing operations) . .	336,828	589,282	666,533
Tax calculated at the domestic income tax rate applicable	84,207	147,321	166,633
Expenses not deductible for tax purposes	350	158	1,028
Income tax expense (relating to continuing operations) . .	<u>84,557</u>	<u>147,479</u>	<u>167,661</u>

11 DIVIDENDS

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends paid by the Company.	244,393	128,000	282,769

The dividend with the amount of RMB244,393,000 was approved by the Board of Directors of the Company on 10 April 2015. It has been paid out in July 2015.

The dividend with the amount of RMB128,000,000 was approved by the Board of Directors of the Company on 17 March 2016. It has been paid out in May 2016.

The dividend of RMB0.18 per share, amounting to a total dividend of RMB282,769,000 was approved by the Company's shareholders on 15 June 2017. It has been paid out in June 2017.

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.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company			
— Continuing operations.	252,271	441,803	498,872
— Discontinued operations	(1,975)	1,423	29,280
	250,296	443,226	528,152
Weighted average number of ordinary shares in issue (thousands).	1,500,000	1,500,000	1,500,000
Basic earnings per share (expressed in RMB per share)			
— Continuing operations.	0.17	0.30	0.33
— Discontinued operations	—	—	0.02
	0.17	0.30	0.35

13 PROPERTY, PLANT AND EQUIPMENT

Group	Office and							Total
	Buildings	Ancillary equipment	Machineries	Motor vehicles	other equipment	Construction-in-progress		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015								
Cost	204,494	75,423	18,401	19,677	26,470	81		344,546
Accumulated depreciation	(28,457)	(21,241)	(7,087)	(12,437)	(11,481)	—		(80,703)
Net book amount.	176,037	54,182	11,314	7,240	14,989	81		263,843
Year ended 31 December 2015								
Opening net book amount	176,037	54,182	11,314	7,240	14,989	81		263,843
Additions	131	—	361	180	680	5,399		6,751
Transfer upon completion	2,501	—	—	—	—	(2,501)		—
Transfer to investment properties	(10,808)	—	—	—	—	—		(10,808)
Depreciation charges	(7,407)	(4,154)	(1,639)	(1,926)	(4,022)	—		(19,148)
Disposals	—	(430)	—	(24)	(75)	—		(529)
Closing net book amount	160,454	49,598	10,036	5,470	11,572	2,979		240,109
At 31 December 2015								
Cost	192,660	72,431	18,762	19,578	26,762	2,979		333,172
Accumulated depreciation	(32,206)	(22,833)	(8,726)	(14,108)	(15,190)	—		(93,063)
Net book amount.	160,454	49,598	10,036	5,470	11,572	2,979		240,109
Year ended 31 December 2016								
Opening net book amount	160,454	49,598	10,036	5,470	11,572	2,979		240,109
Additions	23	1,581	162	66	642	4,749		7,223
Transfer upon completion	3,885	—	—	—	3,628	(7,513)		—
Transfer to non-current assets held for sale (Note 20)	(67,312)	—	—	—	(1,805)	—		(69,117)
Depreciation charges	(6,301)	(4,065)	(1,689)	(1,787)	(4,160)	—		(18,002)
Disposals	(1,996)	(63)	(54)	(61)	(2)	—		(2,176)
Closing net book amount	88,753	47,051	8,455	3,688	9,875	215		158,037
At 31 December 2016								
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 charges	(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	(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

- (a) Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
— <i>Cost of sales</i>	1,655	1,512	3,028
— <i>Administrative expenses</i>	10,117	10,591	7,753
Discontinued operations			
— <i>Cost of sales</i>	5,943	4,404	1,351
— <i>Distribution expenses</i>	1,004	1,066	499
— <i>Administrative expenses</i>	429	429	138
	<u>19,148</u>	<u>18,002</u>	<u>12,769</u>

- (b) As part of the Reorganisation, the Company disposed certain of its property, plant and equipment at a consideration of RMB98,614,000 resulted in a gain of RMB23,983,000. The consideration was received in December 2017.
- (c) As at 31 December 2015, 2016 and 2017, property, plant and equipment with carrying amounts of approximately RMB113,777,000, RMB111,158,000 and 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 2015, 2016 and 2017, the aggregate carrying value of the buildings without ownership certificates is approximately RMB106,311,000, RMB33,102,000 and RMB95,766,000 respectively. The Group has obligation to return those assets to the Grantor at the end of the concession period.

Company	Buildings	Ancillary equipment	Machineries	Motor vehicles	Office and other equipment	Construction- in-progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015							
Cost	173,446	63,772	16,261	16,827	24,111	—	294,417
Accumulated depreciation	(22,135)	(17,177)	(6,571)	(10,541)	(9,864)	—	(66,288)
Net book amount.	151,311	46,595	9,690	6,286	14,247	—	228,129
Year ended 31 December 2015							
Opening net book amount	151,311	46,595	9,690	6,286	14,247	—	228,129
Additions	131	—	45	—	361	550	1,087
Transfer upon completion	550	—	—	—	—	(550)	—
Depreciation charges	(6,308)	(3,047)	(1,503)	(1,611)	(3,761)	—	(16,230)
Disposals	—	(429)	—	(8)	(61)	—	(498)
Closing net book amount	145,684	43,119	8,232	4,667	10,786	—	212,488
At 31 December 2015							
Cost	174,127	60,782	16,307	16,660	24,346	—	292,222
Accumulated depreciation	(28,443)	(17,663)	(8,075)	(11,993)	(13,560)	—	(79,734)
Net book amount.	145,684	43,119	8,232	4,667	10,786	—	212,488
Year ended 31 December 2016							
Opening net book amount	145,684	43,119	8,232	4,667	10,786	—	212,488
Additions	—	714	161	—	573	783	2,231
Transfer upon completion	783	—	—	—	—	(783)	—
Transfer to non-current assets held for sale	(67,312)	—	—	—	(1,805)	—	(69,117)
Depreciation charges	(5,631)	(2,939)	(1,502)	(1,550)	(3,759)	—	(15,381)
Disposals	(1,996)	(64)	—	—	—	—	(2,060)
Closing net book amount	71,528	40,830	6,891	3,117	5,795	—	128,161
At 31 December 2016							
Cost	96,303	60,940	16,467	16,661	20,436	—	210,807
Accumulated depreciation	(24,775)	(20,110)	(9,576)	(13,544)	(14,641)	—	(82,646)
Net book amount.	71,528	40,830	6,891	3,117	5,795	—	128,161
Year ended 31 December 2017							
Opening net book amount	71,528	40,830	6,891	3,117	5,795	—	128,161
Additions	115,804	92	5,844	—	6,571	—	128,311
Depreciation charges	(2,612)	(2,904)	(1,623)	(990)	(2,631)	—	(10,760)
Reorganisation — Disposed of assets related to the disposed business held by the Company	(38,142)	(36,489)	—	—	—	—	(74,631)
Disposals	(32,753)	(1,529)	(126)	(395)	(1,748)	—	(36,551)
Closing net book amount	113,825	—	10,986	1,732	7,987	—	134,530
At 31 December 2017							
Cost	114,593	—	19,782	12,169	23,400	—	169,944
Accumulated depreciation	(768)	—	(8,796)	(10,437)	(15,413)	—	(35,414)
Net book amount.	113,825	—	10,986	1,732	7,987	—	134,530

14 INVESTMENT PROPERTIES

Group	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At the beginning of the year	54,670	69,137	69,137
Transferred in from property, plant and equipment	14,467	—	—
Reorganisation (Note c)	—	—	(69,137)
At the end of the year	<u>69,137</u>	<u>69,137</u>	<u>—</u>
Accumulated depreciation			
At the beginning of the year	(13,317)	(19,223)	(21,898)
Depreciation charges	(2,247)	(2,675)	(669)
Transferred in from property, plant and equipment	(3,659)	—	—
Reorganisation (Note c)	—	—	22,567
At the end of the year	<u>(19,223)</u>	<u>(21,898)</u>	<u>—</u>
Net book value			
Cost	69,137	69,137	—
Accumulated depreciation	<u>(19,223)</u>	<u>(21,898)</u>	<u>—</u>
At the end of the year	<u>49,914</u>	<u>47,239</u>	<u>—</u>
Fair value at the end of the year	<u>67,857</u>	<u>63,921</u>	<u>—</u>

During the Track Record Period, all of the investment properties were included in the discontinued operations.

- (a) Amounts recognised in profit or loss from discontinued operations for investment properties

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	4,620	9,017	4,464
Direct operating expenses from property that generated rental income	(2,247)	(2,675)	(669)
Total	2,373	6,342	3,795

- (b) Depreciation expenses have been charged in “Cost of sales” of discontinued operations.
- (c) As part of the Reorganisation, the Company disposed the investment properties at a consideration of RMB60,309,000 resulted in a gain of RMB13,739,000. The consideration was received in December 2017.

Company	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At the beginning of the year	69,137	69,137	69,137
Reorganisation	—	—	(69,137)
At the end of the year	69,137	69,137	—
Accumulated depreciation			
At the beginning of the year	(16,547)	(19,223)	(21,898)
Depreciation charges	(2,676)	(2,675)	(669)
Reorganisation	—	—	22,567
At the end of the year	(19,223)	(21,898)	—
Net book value			
Cost	69,137	69,137	—
Accumulated depreciation	(19,223)	(21,898)	—
At the end of the year	49,914	47,239	—
Fair value at the end of the years	67,857	63,921	—

15 INTANGIBLE ASSETS

Group and Company

	Concession intangible assets
	<u>RMB'000</u>
At 1 January 2015	
Cost	4,477,003
Accumulated amortisation	<u>(1,199,977)</u>
Net book amount.	<u><u>3,277,026</u></u>
Year ended 31 December 2015	
Opening net book amount	3,277,026
Additions	37,724
Amortisation charges	<u>(166,366)</u>
Closing net book amount	<u><u>3,148,384</u></u>
At 31 December 2015	
Cost	4,514,727
Accumulated amortisation	<u>(1,366,343)</u>
Net book amount.	<u><u>3,148,384</u></u>
Year ended 31 December 2016	
Opening net book amount	3,148,384
Additions	13,606
Amortisation charges	<u>(170,266)</u>
Closing net book amount	<u><u>2,991,724</u></u>
At 31 December 2016	
Cost	4,528,333
Accumulated amortisation	<u>(1,536,609)</u>
Net book amount.	<u><u>2,991,724</u></u>
Year ended 31 December 2017	
Opening net book amount	2,991,724
Additions in connection with arrangement (Note d)	38,660
Other additions	13,693
Amortisation charges	<u>(170,377)</u>
Closing net book amount	<u><u>2,873,700</u></u>
Cost	4,578,280
Accumulated amortisation	<u>(1,704,580)</u>
Net book amount.	<u><u>2,873,700</u></u>

- (a) The details of toll road Jihe Expressway under the Service Concessions is disclosed in Note 1.
- (b) During the years ended 31 December 2015, 2016 and 2017, the impact of capitalisation of borrowing costs is immaterial.
- (c) Amortisation expenses of RMB166,366,000, RMB170,266,000 and RMB170,377,000 have been charged against “cost of sales” during the years ended 31 December 2015, 2016 and 2017, respectively.
- (d) To facilitate the procurement of legal title of land use rights of Jihe Expressway and certain buildings located thereon by Qilu Transportation, the Company entered into agreements with Qilu Transportation (referred to as “**Land Use Right Lease Agreement**”, “**Property Lease Agreement**” elsewhere in the Prospectus, and an assets transfer agreement) in December 2017 whereby the Company transferred the related buildings to Qilu Transportation (“**Transfers**”) at a consideration of RMB52,723,000 for the legal process, and the Company procured the right to use of the land use

right and buildings from Qilu Transportation at an aggregated cost of approximately RMB40,956,000 and RMB65,650,000, respectively, by making annual payments (collectively "Payments") for the remaining concession period. Management considered the Transfers and Payments 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 and a corresponding liability due to Qilu Transportation.

16 INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at cost	<u>18,653</u>	<u>18,653</u>	<u>8,008</u>

Details of the subsidiaries of the Company are set out as Note 1.2.

(b) Material non-controlling interest

The non-controlling interests for the years ended 31 December 2015, 2016 and 2017 amounted approximately to RMB22,724,000, RMB25,336,000 and nil, which are attributable to Jihe Petroleum.

Summarised Historical Financial Information on subsidiary with material non-controlling interest

Set out below are the summarised Historical Financial Information for the subsidiary, Jihe Petroleum, that has non-controlling interest which is material to the Group.

Summarised balance sheet

	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Assets	41,517	41,536
Liabilities	(14,357)	(11,117)
Total current net assets	<u>27,160</u>	<u>30,419</u>
Non-Current		
Assets	19,216	21,286
Total non-current net assets	<u>19,216</u>	<u>21,286</u>
Net assets	<u>46,376</u>	<u>51,705</u>
Accumulated non-controlling interests	<u>22,724</u>	<u>25,336</u>

Summarised statement of comprehensive income

	Year ended 31 December		Four months
	2015	2016	ended 30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	362,771	309,210	108,047
Profit before income tax	7,859	14,905	7,093
Income tax expense	(2,010)	(3,785)	(1,476)
Profit for the year/period	5,849	11,120	5,617
Total comprehensive income	5,849	11,120	5,617
Total comprehensive income allocated to non-controlling interests	2,866	5,449	2,752
Dividends declared to non-controlling interests	(1,525)	(2,837)	—

Summarised cash flows

	Year ended 31 December		Four months
	2015	2016	ended 30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations	21,091	10,049	11,135
Income tax paid	(2,527)	(3,029)	(2,851)
Net cash generated from operating activities	18,564	7,020	8,284
Net cash used in investing activities	(3,613)	(2,763)	(48)
Net cash used in financing activities	—	(9,399)	—
Net increase/(decrease) in cash and cash equivalents	14,951	(5,142)	8,236
Cash and cash equivalents at beginning of year/period	7,316	22,267	17,125
Cash and cash equivalents at end of year/period	22,267	17,125	25,361

The information above is the amount before inter-company eliminations.

Jihe Petroleum has been disposed of as part of discontinued operations in April 2017.

17 INVENTORIES

Group	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Petrochemical, oil and gas for resale	4,487	5,358	—
Materials and spare parts for toll roads repair and maintenance	433	744	1,553
	4,920	6,102	1,553

No provision for inventories has been made during the Track Record Period.

The cost of inventories recognised as expenses and included in cost of sales are as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of inventories sold/consumed			
— Continuing operations	2,086	1,981	1,806
— Discontinued operations	330,521	270,470	92,975
	<u>332,607</u>	<u>272,451</u>	<u>94,781</u>

Company	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of inventories consumed for toll roads repair and maintenance	433	744	1,553

18 TRADE AND OTHER RECEIVABLES

Group	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables (Notes a)	162,970	148,504	181,347
Amounts due from related companies (Note 31)	10,000	15,616	5,422
Other receivables and prepayment	16,536	26,674	20,908
	<u>189,506</u>	<u>190,794</u>	<u>207,677</u>
Less non-current portion:			
— Amounts due from related companies (Note 31)	(10,000)	(6,000)	(3,422)
Current portion	<u>179,506</u>	<u>184,794</u>	<u>204,255</u>

Company	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables (Notes a)	160,468	142,600	180,694
Amounts due from related companies	10,000	15,616	5,422
Other receivables and prepayment	10,711	14,502	20,839
	<u>181,179</u>	<u>172,718</u>	<u>206,955</u>
Less non-current portion:			
— Amounts due from related companies	(10,000)	(6,000)	(3,422)
Current portion	<u>171,179</u>	<u>166,718</u>	<u>203,533</u>

- (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 2015, 2016 and 2017, the management assessed the risk of collection of the trade and other receivables, and no material risk was identified. As such, no provision for impairment was made at the end of years.

Aging analysis of trade receivables at the respective balance sheet dates are as follows:

Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Within 3 months.	162,970	148,504	181,347

Company

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Within 3 months.	160,468	142,600	180,694

The carrying amounts of trade and other receivables approximate their fair values and are denominated in RMB.

The maximum exposure to credit risk at each balance sheet date 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		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
Bank deposits.	55,433	367,399	415,815
Cash on hand.	180	150	20
	<u>55,613</u>	<u>367,549</u>	<u>415,835</u>

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
Bank deposits.	23,279	334,738	412,093
Cash on hand.	70	67	18
	<u>23,349</u>	<u>334,805</u>	<u>412,111</u>

All cash and cash equivalents are denominated in RMB.

All bank deposits are with original maturity within 3 months. The Group and the Company earn interest on bank deposits at floating bank deposit rates ranging from 0.35% to 2.82% during the Track Record Period.

20 NON-CURRENT ASSETS HELD FOR SALE

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Group and Company			
Property, plant and equipment			
— Buildings	—	67,312	—
Property, plant and equipment			
— Office and other equipment	—	1,805	—
	<u>—</u>	<u>69,117</u>	<u>—</u>

On 24 October 2016, the Company entered into an irrevocable agreement to dispose an office building together with the respective non-removable office and other equipment installed in the building. Accordingly, the respective assets were classified as non-current assets held for sale at 31 December 2016 and the transaction was completed in April 2017.

21 DISCONTINUED OPERATIONS

As detailed in Note 1, the Company disposed Jihe Petroleum and Jihe Service together with certain property, plant and equipment and investment properties of the Company directly attributable to the Disposed Business in April 2017. Accordingly, the operating result of the Disposed Business was presented as discontinued operations.

- (a) The assets and liabilities of the discontinued operations before elimination for the Track Record Period, which have been included in the consolidated balance sheets, were as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	109,340	100,986	—
Investment properties	49,914	47,239	—
Investment in subsidiaries before elimination	—	7,724	—
Other non-current assets	294	763	—
Other current assets	52,085	57,193	—
Total assets	<u>211,633</u>	<u>213,905</u>	<u>—</u>
Other non-current liabilities	—	8,065	—
Other current liabilities	210,488	203,875	—
Total liabilities	<u>210,488</u>	<u>211,940</u>	<u>—</u>

- (b) The results of the discontinued operations for the Track Record Period, which have been included in the consolidated statements of comprehensive income, were as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	371,090	318,499	112,500
Expenses	(369,799)	(309,367)	(106,653)
Profit before tax of discontinued operations	1,291	9,132	5,847
Tax on profit	(400)	(2,260)	(1,960)
Profit after tax of discontinued operations	891	6,872	3,887
Profit on disposal	—	—	43,630
Including:			
— Gain on disposal of the Company's property, plant and equipment before tax	—	—	23,983
— Gain on disposal of the Company's investment properties before tax	—	—	13,738
— Gain on disposal of subsidiaries before tax (Note 29 (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	891	6,872	32,032
Profit/(loss) for the year attributable to:			
— Owners of the Company	(1,975)	1,423	29,280
— Non-controlling interests	2,866	5,449	2,752
	891	6,872	32,032

- (c) The cash flows of the discontinued operations for the Track Record Period, which have been included in the consolidated cash flows, were as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Operating cash flows	23,667	13,073	7,281
Investing cash flows	(4,840)	(4,144)	175,585
Financing cash flows	—	(10,049)	(109)
Total cash flows	18,827	(1,120)	182,757

22 ISSUED CAPITAL/SHARE CAPITAL

Ordinary shares, issued and fully paid:

	As at 31 December		
	2015	2016	2017
Company			
Number of ordinary shares (thousands)	N/A	1,500,000	1,500,000

The Company's paid in capital represents 1,500,000,000 ordinary shares totalling RMB1,500,000,000.

Company	Number of shares <i>(thousands)</i>	Issued capital/ Share capital <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015 and 31 December 2015	N/A	1,480,500	1,480,500
Capitalisation of retained earnings and other reserves upon transformation into joint stock company	<u>1,500,000</u>	<u>19,500</u>	<u>19,500</u>
At 31 December 2016 and 2017	<u><u>1,500,000</u></u>	<u><u>1,500,000</u></u>	<u><u>1,500,000</u></u>

The total authorised and issued number of ordinary shares is 1,500,000,000 shares with a par value of RMB1 per share. All issued shares are fully paid.

On 17 November 2016, the shareholders of the Company entered into a promoters' agreement, pursuant to which the Company was converted into a joint stock limited liability company in the PRC with a registered share capital of RMB1,500,000,000 divided into 1,500,000,000 ordinary shares with a par value of RMB1.00 each. Retained earnings and other reserves were capitalised based on the Company's net assets value as of 31 March 2016.

On 6 December 2016, upon finalisation of relevant authorities' required procedures, Jihe Expressway Company was converted into a joint stock limited company and renamed as Qilu Expressway Company Limited. Immediately after the conversion, the Company had a total of 1,500,000,000 issued ordinary shares with a nominal value of RMB1.00 each.

23 OTHER RESERVES AND CAPITAL RESERVES

Group

	Capital reserves <i>(Note b)</i> <i>RMB'000</i>	Other reserves		Total <i>RMB'000</i>
		Statutory reserves <i>(Note a)</i> <i>RMB'000</i>	Reserve fund <i>RMB'000</i>	
As at 1 January 2015	—	—	44,653	44,653
Appropriation to reserve fund	—	—	<u>18,011</u>	<u>18,011</u>
As at 31 December 2015	—	—	62,664	62,664
Appropriation to statutory reserves . . .	—	35,650	—	35,650
Capitalisation of retained earnings and other reserves upon transformation into joint stock company (Note 22) . . .	<u>361,316</u>	—	<u>(62,664)</u>	<u>298,652</u>
As at 31 December 2016	<u><u>361,316</u></u>	<u><u>35,650</u></u>	<u><u>—</u></u>	<u><u>396,966</u></u>
Appropriation to statutory reserves . . .	—	<u>54,289</u>	—	<u>54,289</u>
As at 31 December 2017	<u><u>361,316</u></u>	<u><u>89,939</u></u>	<u><u>—</u></u>	<u><u>451,255</u></u>

- (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) Capital reserves represent the amount of the Company's net asset value as of 31 March 2016 in excess of the Company's share capital upon the transformation from a limited company to a joint stock company.

Company

	Capital reserves	Other reserves		Total
		Statutory reserves	Reserve fund	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015.	—	—	44,653	44,653
Appropriation to reserve fund	—	—	18,011	18,011
As at 31 December 2015.	—	—	62,664	62,664
Appropriation to statutory reserves . . .	—	35,650	—	35,650
Capitalisation of retained earnings and other reserves upon transformation into joint stock company with limited liability (Note 22)	361,316	—	(62,664)	298,652
As at 31 December 2016.	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

24 RETAINED EARNINGS

	Group	Company
	RMB'000	RMB'000
As at 1 January 2015.	385,320	376,367
Profit for the year.	250,296	249,083
Dividends	(244,393)	(244,393)
Appropriation to reserve fund	(18,011)	(18,011)
As at 31 December 2015.	373,212	363,046
Profit for the year.	443,226	439,606
Dividends	(128,000)	(128,000)
Appropriation to statutory reserves	(35,650)	(35,650)
Capitalisation of retained earnings and other reserves upon transformation into joint stock company with limited liability (Note 22)	(318,152)	(318,152)
As at 31 December 2016.	334,636	320,850
Profit for the year.	528,152	542,886
Dividends	(282,769)	(282,769)
Appropriation to statutory reserves	(54,289)	(54,289)
As at 31 December 2017.	525,730	526,678

25 BORROWINGS

Group and Company

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Non-current			
— Unsecured	—	925,000	540,000
— Guaranteed	1,285,000	—	—
	1,285,000	925,000	540,000
Current			
— Unsecured	—	375,000	285,000
— Guaranteed	230,000	—	—
	230,000	375,000	285,000
Total borrowings	1,515,000	1,300,000	825,000

- (a) As at 31 December 2015, 2016 and 2017, the Group and the Company's borrowings were repayable as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 1 year	230,000	375,000	285,000
Between 1 and 2 years	235,000	385,000	295,000
Between 2 and 5 years	750,000	540,000	245,000
Over 5 years	300,000	—	—
	1,515,000	1,300,000	825,000

- (b) All the borrowings were denominated in RMB.
- (c) The weighted average effective interest rates were as follows:

	As at 31 December		
	2015	2016	2017
Interest rates	4.46%	4.35%	4.37%

- (d) The exposure of the Group and the Company's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
6 months or less	—	50,000	40,000
6 to 12 months	1,515,000	1,250,000	785,000
	1,515,000	1,300,000	825,000

(e) Details of the guarantors for borrowings as at the end of the year are as follows:

Guarantor	Outstanding balances		
	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Unsecured	—	1,300,000	825,000
(i)	840,000	—	—
(ii)	400,000	—	—
(iii)	110,000	—	—
(iv)	165,000	—	—
	<u>1,515,000</u>	<u>1,300,000</u>	<u>825,000</u>

- (i) Guaranteed by a former shareholder of the Company, Shandong Highway Bureau.
- (ii) Guaranteed by a former shareholder of the Company, Shandong Highway Bureau.
- (iii) Guaranteed by a related party, Luneng Group Co.,Ltd. (“Luneng Group”), which was controlled by the parent company of Shandong Construction.
- (iv) Jointly guaranteed by Shandong Highway Bureau and Luneng Group.
- (f) 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 balance sheet dates. The fair value of non-current borrowings approximated to their carrying amounts.

26 TRADE AND OTHER PAYABLES

Group	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade payables (Note a)	62,129	43,260	32,849
Amount due to Qilu Transportation (Note 15(d)).	—	—	91,383
Payables for purchases of long-term assets	17,978	20,137	20,815
Staff salaries and welfare	24,095	25,655	22,338
Advance from customers	9,333	14,818	8,132
Tax payables	11,362	15,830	3,082
Retention payables and deposit received	3,561	11,394	2,185
Other payables and accruals	8,777	6,906	5,575
	<u>137,235</u>	<u>138,000</u>	<u>186,359</u>
Less: non-current portion	—	(8,065)	(28,313)
Current portion	<u>137,235</u>	<u>129,935</u>	<u>158,046</u>

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
Trade payables (Note a)	62,129	42,692	32,849
Amount due to Qilu Transportation (Note 15(d)).	—	—	91,383
Payables on purchases of long-term assets	17,030	19,199	20,815
Staff salaries and welfare	18,914	19,648	21,902
Advance from customers	2,367	8,354	7,501
Tax payables	7,619	11,336	2,994
Retention payables and deposit received	2,840	2,708	1,993
Other payables and accruals	5,450	6,789	4,945
	<u>116,349</u>	<u>110,726</u>	<u>184,382</u>
Less: non-current portion (Note 15(d))	—	—	(28,313)
Current portion	<u>116,349</u>	<u>110,726</u>	<u>156,069</u>

(a) Aging analysis of trade payables at the respective balance sheet dates are as follows:

Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
Within 1 year	<u>62,129</u>	<u>43,260</u>	<u>32,849</u>

Company

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
Within 1 year	<u>62,129</u>	<u>42,692</u>	<u>32,849</u>

27 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		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
Deferred income tax assets			
— to be settled within 12 months	294	763	299
Deferred income tax liabilities			
— to be settled after more than 12 months	(30,603)	(34,583)	(31,157)
Deferred income tax liabilities — net	<u>(30,309)</u>	<u>(33,820)</u>	<u>(30,858)</u>

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Company			
Deferred income tax liabilities			
— to be settled after more than 12 months	(30,603)	(34,583)	(31,157)
Deferred income tax liabilities — net	<u>(30,603)</u>	<u>(34,583)</u>	<u>(31,157)</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Group			
At 1 January	(43,174)	(30,309)	(33,820)
Income statement (charge)/credit	12,865	(3,511)	2,962
Continuing operations (Note 10)	12,767	(3,980)	3,725
Discontinued operations	98	469	(763)
At 31 December	<u>(30,309)</u>	<u>(33,820)</u>	<u>(30,858)</u>

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Company			
At 1 January	(43,370)	(30,603)	(34,583)
Income statement (charge)/credit	12,767	(3,980)	3,426
At 31 December	<u>(30,603)</u>	<u>(34,583)</u>	<u>(31,157)</u>

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:

Group	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
Deferred income tax assets	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	2,891	—	956	—	—	—	3,847
Credited/(charged) to the income statements	5,448	13,600	(247)	—	—	—	18,801
As at 31 December 2015	<u>8,339</u>	<u>13,600</u>	<u>709</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,648</u>
Credited/(charged) to the income statements	7,697	(6,800)	112	99	357	—	1,465
As at 31 December 2016	<u>16,036</u>	<u>6,800</u>	<u>821</u>	<u>99</u>	<u>357</u>	<u>—</u>	<u>24,113</u>
Credited/(charged) to the income statements	8,271	(6,800)	(583)	70	(357)	299	900
As at 31 December 2017	<u>24,307</u>	<u>—</u>	<u>238</u>	<u>169</u>	<u>—</u>	<u>299</u>	<u>25,013</u>

<u>Company</u>	Provisions for maintenance/ resurfacing obligations	Amortisation of national inspection maintenance fees (Note a)	Accrued expenses	Bad debt provisions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets					
As at 1 January 2015	2,891	—	760	—	3,651
Credited/(charged) to the income statements	5,448	13,600	(345)	—	18,703
As at 31 December 2015	<u>8,339</u>	<u>13,600</u>	<u>415</u>	<u>—</u>	<u>22,354</u>
Credited/(charged) to the income statements	7,697	(6,800)	—	99	996
As at 31 December 2016	<u>16,036</u>	<u>6,800</u>	<u>415</u>	<u>99</u>	<u>23,350</u>
Credited/(charged) to the income statements	8,271	(6,800)	(177)	70	1,364
As at 31 December 2017	<u>24,307</u>	<u>—</u>	<u>238</u>	<u>169</u>	<u>24,714</u>

- (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.

<u>Group and Company</u>	Concession intangible assets amortisation differences between accounting and tax regulations	Property, plant and equipment depreciation differences between accounting and tax regulations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax liabilities			
As at 1 January 2015	(44,346)	(2,675)	(47,021)
(Charged)/credited to the income statements	(5,981)	45	(5,936)
As at 31 December 2015	<u>(50,327)</u>	<u>(2,630)</u>	<u>(52,957)</u>
(Charged)/credited to the income statements	(5,009)	33	(4,976)
As at 31 December 2016	<u>(55,336)</u>	<u>(2,597)</u>	<u>(57,933)</u>
(Charged)/credited to the income statements	(255)	2,317	2,062
As at 1 January 2017	<u>(55,591)</u>	<u>(280)</u>	<u>(55,871)</u>

28 PROVISIONS — MAINTENANCE AND RESURFACING OBLIGATIONS

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group and Company			
At the beginning of the year	11,564	33,355	64,145
Addition of provision	145,069	71,601	71,686
Utilisation of provision	(123,278)	(40,811)	(38,601)
At the end of the year	<u>33,355</u>	<u>64,145</u>	<u>97,230</u>

29 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year	338,119	598,414	716,010
Including:			
Profit before tax of continuing operations	336,828	589,282	666,533
Profit before tax of discontinued operations (Note 21 (b))	1,291	9,132	5,847
Profit on disposal of discontinued operations (Note 21 (b))	—	—	43,630
Adjustments for:			
— Depreciation of property, plant and equipment (Note 13)	19,148	18,002	12,769
— Depreciation of investment properties (Note 14)	2,247	2,675	669
— Amortisation of concession intangible assets (Note 15)	166,366	170,266	170,377
— Losses/(gains) on disposals of property, plant and equipment and investment property (Note b)	393	264	(40,525)
— Continuing operations	449	372	(2,804)
— Discontinued operations	(56)	(108)	(37,721)
— Interest expenses (Note 9)	98,448	70,681	47,428
— Interest income	(1,821)	(1,874)	(4,673)
— Continuing operations (Note 9)	(1,549)	(1,689)	(4,596)
— Discontinued operations	(272)	(185)	(77)
— Gain on disposal of subsidiaries (Note e)	—	—	(5,909)
Changes in working capital:			
— Inventories	(1,305)	(1,182)	(10,255)
— Trade and other receivables	(40,722)	6,555	(19,327)
— Trade and other payables	35,397	2,663	(24,005)
— Changes in provisions for maintenance/resurfacing obligations (Note 28)	21,791	30,790	33,085
Cash generated from operations	<u>638,061</u>	<u>897,254</u>	<u>875,644</u>

(b) In the consolidated statements of cash flows, proceeds from sale of property, plant, equipment, investment properties and held for sales, comprise:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Consideration	136	1,912	283,111
Less:			
Net book amount	(529)	(2,176)	(229,078)
— property, plant, equipment (Note 13)	(529)	(2,176)	(113,391)
— investment properties (Note 14)	—	—	(46,570)
— held for sale (Note 20)	—	—	(69,117)
Disposal expenses	—	—	(13,508)
Gains/(losses) on disposals of property, plant and equipment and investment property	(393)	(264)	40,525
— continuing operations (Note 6)	(449)	(372)	2,804
— discontinued operations	56	108	37,721

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Consideration	136	1,912	283,111
Less:			
Non-cash settlement of disposal of property, plant and equipment and non-current assets held for sale.	—	—	(107,083)
Changes of other receivable.	(1)	(1,670)	—
Cash proceeds from sale of property, plant and equipment and investment properties	135	242	176,028

(c) Non-cash transactions:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Non-cash settlement of goods purchase and sales (i).	204,866	163,040	58,185
Non-cash settlement of disposal of property, plant and equipment and non-current assets held for sale (ii)	—	—	107,083
	204,866	163,040	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 are 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 as referred in Note 20. The consideration of the aforesaid exchange of assets were determined with reference to valuations performed by an independence appraiser.

In the same month, the Company disposed 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.

(d) Reconciliation of liabilities from financing activities:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Borrowings — repayable within one year	(230,000)	(375,000)	(285,000)
Borrowings — repayable after one year.	(1,285,000)	(925,000)	(540,000)
Liabilities from financing activities.	(1,515,000)	(1,300,000)	(825,000)
Borrowings — fixed interest rates.	—	—	—
Borrowings — variable interest rates	(1,515,000)	(1,300,000)	(825,000)
Liabilities from financing activities.	(1,515,000)	(1,300,000)	(825,000)

	Borrowings due within 1 year <i>RMB'000</i>	Borrowings due after 1 year <i>RMB'000</i>	Total <i>RMB'000</i>
Liabilities from financing activities as at 1 January 2015	(235,000)	(1,515,000)	(1,750,000)
Cash flows	235,000	—	235,000
Reclassification	<u>(230,000)</u>	<u>230,000</u>	<u>—</u>
Liabilities from financing activities as at 31 December 2015	<u>(230,000)</u>	<u>(1,285,000)</u>	<u>(1,515,000)</u>
Cash flows	230,000	(15,000)	215,000
Reclassification	<u>(375,000)</u>	<u>375,000</u>	<u>—</u>
Liabilities from financing activities as at 31 December 2016	<u>(375,000)</u>	<u>(925,000)</u>	<u>(1,300,000)</u>
Cash flows	375,000	100,000	475,000
Reclassification	<u>(285,000)</u>	<u>285,000</u>	<u>—</u>
Liabilities from financing activities as at 31 December 2017	<u>(285,000)</u>	<u>(540,000)</u>	<u>(825,000)</u>

(e) Disposal of subsidiaries:

As detailed in Note 1, the Group disposed two subsidiaries in April 2017 which are part of discontinued operations. The details of the disposal of the subsidiaries are as follows:

	As at 31 December 2017 <i>RMB'000</i>
Consideration received or receivable:	
Cash	<u>42,587</u>
Total disposal consideration	42,587
Carrying amount of:	
Current assets	67,779
Property, plant and equipment	23,053
Other non-current assets	<u>437</u>
Total assets	91,269
Current liabilities	(26,503)
Non-current liabilities	<u>—</u>
Total liabilities	(26,503)
Less: net assets held by non-controlling interests	(28,088)
Carrying amount of net assets sold	<u>(36,678)</u>
Gain on disposal of subsidiaries before income tax (Note 21(b))	<u>5,909</u>
	As at 31 December 2017 <i>RMB'000</i>
Disposed cash of subsidiaries	(45,960)
Cash received	<u>42,587</u>
Disposal of subsidiaries, net of cash disposed	<u>(3,373)</u>

(f) Proceeds from other investing activities:

	As at 31 December 2017
	<u>RMB'000</u>
Consideration received from the Transfers as referred in Note 15(d)	<u>52,724</u>

30 COMMITMENTS

(a) Capital commitments

The capital expenditure contracted for as at the respective balance sheet dates during the Track Record Period are as follows:

Group and Company	As at 31 December		
	2015	2016	2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment	<u>2,121</u>	<u>81,559</u>	<u>0</u>

(b) Contingencies

As at the end of 31 December 2015, 2016 and 2017, 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		
	2015	2016	2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
No later than 1 year	579	634	620
Later than 1 year and no later than 15 years	<u>8,054</u>	<u>8,069</u>	<u>7,229</u>
	<u>8,633</u>	<u>8,703</u>	<u>7,849</u>

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

The shareholders of the Company are Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction, which held 51.90%, 40.00% and 8.10% of the equity interests in the Company, respectively.

The Group 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 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 Historical Financial Information.

In addition to those disclosed elsewhere in the financial information, the following transactions were carried out with related parties:

(a) **Information of related parties**

	<u>Relationship with the Group</u>
Qilu Transportation	Shareholder of the Company
COSCO SHIPPING (Hong Kong)	Shareholder of the Company
Shandong Transport Department	Parent office of Shandong Highway Bureau
Shandong Institute of Highway Technician	Subsidiary of Shandong Highway Bureau
Shandong Provincial Communications Planning and Design Institute	Subsidiary of Qilu Transportation
Shandong Provincial Transport Projects Supervision and consultation Ltd.	Subsidiary of Qilu Transportation
Sinopec Marketing	Non-controlling interest of a subsidiary

(b) **Transactions with related parties**

Continuing operations

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Design expenses:			
— Shandong Provincial Communications Planning and Design Institute	2,370	449	476
Supervision expenses:			
— Shandong Provincial Transport Projects Supervision and consultation Ltd.	173	85	—

Discontinued operations

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of goods:			
— Sinopec Marketing	320,783	263,036	93,531
Rental fees:			
— Sinopec Marketing	469	466	170
Gas fee income received on behalf of the Group:			
— Sinopec Marketing	202,132	163,040	57,280

(c) Balance with related parties

Continuing operations

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Trade receivables:			
— Parent office of Shandong Highway Bureau . .	160,468	142,600	180,694
Other receivables:			
— COSCO SHIPPING (Hong Kong)	—	7,616	—
— Shandong Institute of Highway Technician (i) .	10,000	8,000	5,422
	<u>170,468</u>	<u>158,216</u>	<u>186,116</u>
Trade and other payables			
Trade payables:			
— Shandong Provincial Communications Planning and Design Institute	—	—	476
Other payables:			
— Qilu Transportation (ii)	—	—	91,383
	<u>—</u>	<u>—</u>	<u>91,859</u>

- (i) The balance is interest free, unsecured, and will be settled by annual instalments until 2020.
- (ii) The other payables to Qilu Transportation are the discounted payable cost in respective of the lease arrangements as mentioned in Note 15(d).

Discontinued operations

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Trade receivables:			
— Sinopec Marketing	2,373	4,627	—
Prepayment			
— Sinopec Marketing	12,073	14,148	—
	<u>14,446</u>	<u>18,775</u>	<u>—</u>
Trade and other payables			
Dividend payables:			
— Sinopec Marketing	1,525	—	—
Other payables:			
— Sinopec Marketing	460	460	—
	<u>1,985</u>	<u>460</u>	<u>—</u>

- (d) As detailed in Note 15(d), the Company received a consideration of RMB52,723,000 for the Transfers from Qilu Transportation.
- (e) During the years ended 31 December 2015, 2016 and 2017, the Group's significant transactions with 濟南金日公路工程有限公司 (Jinan Jinyue Expressway Project Limited Company, a state-controlled entity) primarily include project payments of approximately RMB28,995,000, RMB13,613,000 and RMB17,947,000, respectively.

Save as disclosed in this report, the transactions with other stated-owned enterprises are individually and collectively immaterial to the Group.

In addition, during the Track Record Period, all the Group's bank balance and borrowings are deposited/arranged with state-owned banks.

32 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 31 December 2017:

On 5 June 2018, the Company declared a dividend of RMB0.25 per share, amounting to a total dividend of approximately RMB379,209,000, which was approved at the Company's shareholders meeting. As at the date of this report, approximately RMB208,809,000 of such dividend has been paid.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the other companies now comprising the Group in respect of any period subsequent to 31 December 2017.

The information set out in this appendix does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the Accountant’s Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to the owners of the Company as at 31 December 2017 as if Global Offering had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2017 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB</u>	<u>HK\$</u>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of					
HK\$2.50 per Share	(396,715)	972,154	575,439	0.29	0.35
Based on an Offer Price of					
HK\$3.10 per Share	<u>(396,715)</u>	<u>1,214,334</u>	<u>817,619</u>	<u>0.41</u>	<u>0.50</u>

Notes:

- The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2017 is extracted from the historical financial information contained in the Accountant’s Report set out in Appendix I to this prospectus which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2017 of RMB2,476,985,000 less intangible assets of RMB2,873,700,000.

2. The estimated net proceeds from the Global Offering are based on the offering of HK\$2.50 (equivalent to RMB2.06) per Share and HK\$3.10 (equivalent to RMB2.55) per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by the Group (excluding approximately RMB7,593,000 listing-related expenses which have been accounted for in the consolidated statement of comprehensive income up to 31 December 2017) but takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and is based on that 2,000,000,000 shares were in issue immediately prior to the Listing (assuming that the Global Offering had been completed on 31 December 2017), without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollar at a rate of HK\$1.00 to RMB0.82282. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017. In particular, the unaudited pro forma adjusted consolidated net tangible assets of our Group has not taken into account the dividend of approximately RMB379,209,000 declared in June 2018. The unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB0.10 (equivalent to HK\$0.12) per Share based on the Offer Price of HK\$2.50 per Share and RMB0.22 (equivalent to HK\$0.27) per Share based on the Offer Price of HK\$3.10 per Share, respectively, if the dividend of approximately RMB 379,209,000 had been taken into account.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Qilu Expressway Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Qilu Expressway Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 29 June 2018, in connection with the proposed initial public offering of the H shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 31 December 2017 as if the proposed initial public offering had taken place at 31 December 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the year ended 31 December 2017, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
29 June 2018

PRC TAXATION**Taxes Applicable to Joint-Stock Limited Companies***Enterprise Income Tax*

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) amended and implemented on February 24, 2017 and the Implementation Rules for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) issued on December 6, 2007 and implemented on January 1, 2008, resident enterprises (which are defined as enterprises established in the PRC in accordance with laws, or established in accordance with the laws of foreign countries (regions) but with the actual or de facto control entity in the PRC) shall be subject to an enterprise income tax at a rate of 25% for their income originated from domestic and overseas sources.

Value-added Tax

In accordance with the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) amended on November 19, 2017, all entities and individuals that engage in the sale of goods, provision of processing, repair and replacement services, and importation of goods within the PRC shall pay VAT. Unless otherwise required under these provisional regulations, taxpayers are generally subject to a tax rate of 17% for the sale or importation of goods.

In accordance with the Pilot Reform for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No. 110) which was issued by the MOF and the SAT and became effective on November 16, 2011, pilot reforms for transition from business tax to VAT have been started since January 1, 2012 in some regions such as Shanghai and Beijing and in certain pilot industries such as transportation and some of the modern service industries. According to a further notice of the MOF and the SAT, such reform has been expanded nationwide since August 1, 2013.

In accordance with the Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) issued by the MOF and the SAT on March 23, 2016, the pilot reform on transition from business tax to VAT has commenced since May 1, 2016. In accordance with the Implementation Measures for Transition from Business Tax to Value-added Tax, unless otherwise provided in these implementation measures, the tax rate is generally 6% for taxpayers who have taxable behaviors.

Municipal Maintenance Tax and Education Surcharge

In accordance with the Provisional Regulations on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated and implemented on February 8, 1985 and amended on January 8, 2011, all entities and individuals liable to pay consumption tax, VAT and business tax are subject to municipal maintenance tax. Municipal maintenance tax shall be based on the amount of consumption tax, VAT and business tax actually paid by the taxpayers and shall be levied with the consumption tax, VAT or business tax simultaneously. In addition, the rate of municipal maintenance tax applicable to a taxpayer shall be 7% if his/her domicile is in the city, 5% for the taxpayer if his/her domicile is in the county or town, and 1% if his/her domicile is not in any city, county or town.

In accordance with the Provisional Regulations on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated on April 28, 1986, implemented on July 1, 1986 and revised on January 8, 2011, all entities and individuals liable to pay consumption tax, value-added tax or business tax shall pay an education surcharge pursuant to these regulations. The tax rate of the education surcharge shall be 3% of the consumption tax, value-added tax or business tax which has been paid by such taxpayer and shall be levied with value-added tax, business tax or consumption tax simultaneously.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) which were promulgated on August 6, 1988, and were amended and became effective on January 8, 2011, and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) implemented on September 29, 1988, applicants who apply for and obtain building ownership certificates, industrial and commercial business licences, registration certificates for trademarks, patent certificates and land use right certificates issued by governmental departments within the PRC shall pay stamp tax RMB5 for each application.

Cultural Development Fee

According to the Notice of the MOF and SAT on Issues Concerning Policies and Levying for the Collection and Administration of Cultural Development Fee in relation to the Pilot Program for Transition from Business Tax to Value-added Tax (《財政部、國家稅務總局關於營業稅改徵增值稅試點有關文化事業建設費政策及徵收管理問題的通知》), issued on March 28, 2016 and implemented on May 1, 2016, media service providers of advertisement operation and outdoor advertisement operators which provide advertising services within the PRC are required to pay the cultural development fee at a rate of 3% on the billing sales from the provision of advertising services.

Taxation applicable to Shareholders of the Company***Individual Investors****Taxation on Dividends*

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) which was implemented on September 10, 1980, recently amended on June 30, 2011 and became effective on September 1, 2011 and the Implementation Regulations of Individual Income Tax Law of the People's Republic of China which were recently amended by the State Council on July 19, 2011 and became effective on September 1, 2011, dividends received by a foreign individual who is a non-Chinese resident shall be generally subject to an individual income tax of 20%, unless specially exempted by the competent tax authority of the State Council or reduced in accordance with an applicable tax treaty.

Pursuant to the Notice on the Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) promulgated by the SAT on June 28, 2011, foreign resident individual shareholders are entitled to enjoy the applicable preferential tax treatments in accordance with the tax treaties entered into between their respective countries and the PRC and the regulations of tax arrangements between the Mainland of China and Hong Kong (Macau) for shares issued in Hong Kong by domestic non-foreign invested enterprises. Generally, individual income tax at the rate of 10% will be withheld from dividends paid by a non-foreign invested PRC enterprise to foreign resident individual shareholders holding shares issued in Hong Kong by the relevant non-foreign invested enterprise. In case the 10% tax rate is not applicable (i) the domestic non-foreign invested enterprise shall apply on behalf of the investors who are entitled to receive dividends for lower tax rates if the countries or regions of the relevant individual investors have entered into tax treaties with the PRC with tax rates lower than 10%, and arrange for refund of over payment upon approval by the competent tax authority; (ii) the domestic non-foreign invested enterprise shall withhold the tax at such rates as agreed if the countries or regions of the relevant individual investors have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, and no application is required; (iii) the domestic non-foreign invested enterprise shall withhold the tax at the rate of 20% if the countries or regions of the relevant individual investors have not entered into any tax treaties with the PRC or otherwise.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) with respect to income tax entered into between mainland China and Hong Kong on August 21, 2006, the PRC Government may impose tax on dividends payable by a PRC company to Hong Kong residents subject to a maximum of 10% of the gross amount of dividends payable, or a maximum of 5% of the gross amount of dividends payable by the PRC company for Hong Kong residents holding not less than 25% equity interest in the PRC company.

Enterprise Investors

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) revised and implemented on February 24, 2017, and the Implementation Rules for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) promulgated on December 6, 2007 and implemented on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not effectively connected with such establishment or place. The withholding tax may be reduced or exempted pursuant to applicable treaties for the avoidance of double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《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), which was issued by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends paid for the year 2008 and onwards. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) (Guo Shui Han [2009] No.394), which was issued by the SAT on July 24, 2009, further provides that any PRC resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends for the year 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company.

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC or Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from the PRC companies. The PRC currently has avoidance of double taxation treaties/arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer*Individual Investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Rules for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), gains realised on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%.

Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. In the latest Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Rules for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No.167), which provides that individuals' income from transferring listed shares on certain domestic stock exchanges shall continue to be exempted from the individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No.70). As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Implementation Rules for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not effectively connected with such establishment or place. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to applicable treaties or agreements on avoidance of double taxation.

Estate Tax

According to the existing laws of the PRC, non-PRC residents are not subject to estate tax for the holding of H Shares.

Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) revised and promulgated on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of September 29, 1988, PRC stamp duty on transfer of listed shares of PRC enterprises does not apply to the acquisition and disposal of H Shares outside of the PRC. According these provisional regulations, PRC stamp duty shall only be imposed on documents that are executed or received in the PRC, legally binding in the PRC and governed by the PRC laws.

HONG KONG TAXATION**Tax on Dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains

from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

PRC Laws and Regulations Relating to the Administration of Foreign Exchange:

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, has the power for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations of the People's Republic of China for Foreign Exchange Control (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996, first amended on January 14, 1997 and further amended on August 1, 2008, the foreign exchange income and expenditure or foreign exchange operations of domestic institutions and individuals, and the foreign exchange income and expenditure and foreign exchange operations conducted within the territory of the PRC by overseas institutions and individuals shall be subject to these regulations. Domestic institutions engaging in the issuance or trading of negotiable securities or derivative products shall complete registration in accordance with the requirements of the foreign exchange administrative department of the State Council. Foreign

exchange administrative authorities have the right to exercise inspection and examination on foreign exchange settlement under capital accounts as well as the use of funds from and account changes in respect of such settlement.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No.54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)), pursuant to which a domestic company shall, within 15 business days of the end of its offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No.13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)), which came into effect on June 1, 2015. The notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (Hui Fa [2016] No.16) (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》(匯發[2016]16號)) issued by the SAFE on June 9, 2016, the relevant policies have made it clear that foreign exchange income of capital accounts implementing discretionary foreign exchange settlement (including funds repatriated from overseas listing) can be settled at the banks based on the actual needs of the domestic institutions; the proportion of discretionary settlement of foreign exchange income from capital accounts of domestic institutions is temporarily set at 100%. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate.

A. BUSINESS VALUATION REPORT



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place
1 Queen's Road East, Hong Kong
Tel +852 2846 5000 Fax +852 2169 6001

June 29, 2018

The Board of Directors
Qilu Expressway Company Limited,
Room 2301, Block 4, Zone 3, Hanyu Financial & Business Center,
No.7000 Jingshi East Road, High-tech Zone,
Ji'nan City, Shandong Province, P.R. China

Dear Sirs,

In accordance with the instructions received from Qilu Expressway Company Limited (the “**Company**”), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of the toll road business (the “**Valuation Subject**”) of Qilu Expressway Company Limited (the “**Target Company**”) as at March 31, 2018 (the “**Valuation Date**”). The report which follows is dated June 29, 2018 (the “**Report Date**”). The purpose of this valuation is to express an independent valuation opinion for disclosure reference.

Our valuation was carried out on a market value basis. Market value is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*”

INTRODUCTION

The Target Company has the exclusive right to build, and operate for 30 years the Jihe Expressway in Shandong Province (the “**Jihe Expressway**”). The Jihe Expressway has a total length of 153.6 kilometers that runs from Jinan to Heze connecting to four cities and nine districts/counties. The Jihe Expressway connects to a number of major industrial areas and tourist attractions, and connects to the National Expressway System, the Yangtze River Delta and the Pearl River Delta region. Its four-lane carriageways are two-way, and has a design speed of 120 kilometers per hour. The Jihe Expressway started construction in December 2004 and opened to public on September 28, 2007. The Target Company was established in Shandong Province in the People’s Republic of China (the “**PRC**”).

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, the Market Approach, Cost Approach and Income Approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established used market may be valued by this approach.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach can sometimes provide an indication of value for assets without a known used market.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

Given the nature of the Valuation Subject, there are substantial limitations for the Market Approach and the Cost Approach for valuing the underlying assets. Firstly, the Market Approach requires market transactions of comparable assets as an indication of value. However, the Market Approach requires operational information in order to arrive at an indication of value. Secondly, the Cost Approach does not directly incorporate information about the economic benefits contributed by the business of the Valuation Subject.

In view of the above, we have adopted the Income Approach for the valuation. Under this method, value depends on the present worth of future economic benefits to be derived from the projected toll income. Indications of value have been developed by the discounted future estimated cash flows available for payment of owners' interest to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of financing and the relevant risks inherent in the business.

BASIS OF OPINION

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Valuation Subject and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;

- The financial condition of the Valuation Subject;
- Projected maintenance, operating costs and management expenses;
- Projected traffic flow and toll income provided by WB Group International Limited (the “**Traffic Expert**”);
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risks of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the business of the Valuation Subject;
- Analysis on tactical planning, management standard and synergy of the Valuation Subject; and
- Assessment of the leverage of the Target Company.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion.

VALUATION ASSUMPTIONS

In determining the market value of the Valuation Subject, we make the following key assumptions:

- We assume continuation of prudent and effective management policies of the Target Company over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Valuation Subject;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- We have assumed the accuracy of the financial and operational information, such as management accounts, contractual agreements and manufacturing capabilities, provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed the capital structure of the Valuation Subject will not be materially different from the average capital structure of the comparable companies in the same industry of the Valuation Subject, and will not change during the forecast period;
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date;
- We have assumed that the Jihe Expressway will operate during the 30-year concession period, and our forecast period is from April 2018 to September 2034;
- The traffic flow and toll revenue for Jihe Expressway will conform to the level as base case scenario as projected by the Traffic Expert. We believe that the traffic growth rate and the toll charge growth rate projected by the Traffic Expert are reasonable and, therefore, we have adopted their findings for the Jihe Expressway. Please refer to Appendix V for further details in relation to the projection of traffic flow and toll revenue;
- Based on the management's opinion, the operating and management expenses mainly include maintenance expenses, management expenses, and other operating expenses (including manpower costs, engineering costs and utilities). Each of these will be accounting for about 1–25%, 4–6% and 21–26% of toll revenue every year respectively; and
- Corporate income tax rate, construction tax rate, education tax surcharges rate, local education tax surcharges rate, water conservancy construction fund rate, property tax rate, land use tax rate, stamp duty rate and transportation tax rate are expected to remain constant throughout the forecast period.

DISCOUNT RATE

In applying the discounted cash flow method to estimate the value of the Valuation Subject, it is necessary to determine an appropriate Weighted Average Cost of Capital (“WACC”) in order to determine the discount rate. WACC is the weighted average of the estimated rate of return required by equity and debt holders for an investment of business similar to that of the Target Company. WACC relates to perceived risks. Risk factors relevant to our selection of an appropriate discount rate include:

- Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates;
- Purchasing power risk, which measures loss of purchasing power over time due to inflation;
- Market risk, which measures the effects of the general market on the price behavior of securities; and
- Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk also involves elements such as quality of management, degree of liquidity, and other factors affecting the rate of return acceptable to a given investor in a specific investment. An adjustment to risk is a discount rate increment to compensate for the extent of risk which is believed to be inherent in the investment.

Weighted Average Cost of Capital

WACC is calculated by multiplying the cost of each capital component by its weight and then summing all subtotals:

$$\text{WACC} = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1-T_c)$$

Where:

- R_e = Required return on equity
- R_d = Required return on debt
- E = Fair value of the firm’s equity
- D = Fair value of the firm’s debt
- V = E + D
- E/V = Percentage of equity financing
- D/V = Percentage of debt financing
- T_c = Corporate tax rate

Required Return on Equity Capital

We have used Capital Assets Pricing Model (“CAPM”) to estimate the required return on equity capital.

The CAPM is a fundamental tenet of modern portfolio theory which is a generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital.

The equation of CAPM is shown as follows:

Cost of Equity or Required Return on Equity

$$= \text{Risk Free Rate} + \text{Relevered Beta } (\beta) \times \text{Market Risk Premium} + \text{Size Premium} + \text{Specific Risk}$$

The required return on equity of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking.

Parameters for CAPM

In determining the equity discount rates for the Valuation Subject, the following parameters have been used:

Parameters	March 31, 2018	Reference
Risk Free Rate	3.73%	10-year China fixed rate government bond (Source: Bloomberg)
Market Risk Premium	10.44%	10-year expected China market risk premium (Source: Bloomberg)
Relevered Beta	0.809	Relevered the average beta of comparable companies (Source: Bloomberg)
Size Premium	3.67%	Account for company size difference of the Target Company as compared to comparable companies (Source: Duff & Phelps, "2017 Valuation Handbook")
Specific Risk Premium	1.00%	Estimated in order to reflect additional risk premium due to comparatively shorter operating history of the Target Company as compared to comparable companies
Cost of Equity	16.84%	Calculated according to the equation of CAPM as stated above

WACC

The application of CAPM and WACC as outlined above yielded the following discount rates, which we believe to be fair and reasonable required return for the Valuation Subject.

Parameters	March 31, 2018	Reference
D/E Ratio	55.63%	Average debt-to-market capitalisation ratio of the comparable companies (Source: Bloomberg)
Cost of Debt	4.90%	Above 5-year benchmark lending rate in China (Source: Bloomberg)
Income Tax Rate	25.00%	Income tax rate of the PRC
After-tax WACC	12.13%	

Comparable companies

In determining the levered beta, a list of comparable companies was identified. The selection criteria include the followings:

- The shares of comparable companies are publicly listed in The Stock Exchange of Hong Kong Limited;
- The companies derive most, if not all, of their revenues from the toll road business in China;
- The average trailing-12-month net profit margin is positive as at the Valuation Date; and
- The comparable companies are searchable in Bloomberg.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Stock Code	Company Name
177.HK	Jiangsu Expressway Company Limited
548.HK	Shenzhen Expressway Company Limited
576.HK	Zhejiang Expressway Co., Ltd.
995.HK	Anhui Expressway Company Limited
1052.HK	Yuexiu Transport Infrastructure Limited

SENSITIVITY ANALYSES

Sensitivity analyses were prepared based on the changes of discount rate, toll income and operating costs.

The following table summarises the resulting values of the Valuation Subject based on changes of discount rate:

Discount Rate (%)	Market Value (RMB million)
14.13	6,119
13.13	6,468
12.13	6,851
11.13	7,273
10.13	7,737

The following table summarises the resulting values of the Valuation Subject based on changes of toll income:

Change in Toll Income (%)	Market Value (RMB million)
+2	7,021
+1	6,936
0	6,851
-1	6,766
-2	6,681

The following table summarises the resulting values of the Valuation Subject based on changes of operating costs:

Change in Operating Costs (%)	Market Value (RMB million)
+2	6,794
+1	6,823
0	6,851
-1	6,880
-2	6,909

OPINION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Valuation Subject over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses, we are of the opinion that as at 31 March 2018, the market value of the Valuation Subject is reasonably stated at the amount of RMB6,851 million.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation and advisory services to numerous listed and private companies in different industries, including the infrastructure sector, in Mainland China and Hong Kong for over 20 years.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and expenses.
8. We cannot provide assurance on the achievability of the results forecasted by the Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
9. Unless otherwise specified within the report, this report has been prepared solely for internal use purpose. We shall not under any circumstances whatsoever be liable to any third party.
10. This report is for the sole use of the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
11. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
12. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
13. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact on the subject property.

14. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
15. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
16. The management or staff of the Company and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

B. REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF QILU EXPRESSWAY COMPANY LIMITED**To The Board of Directors of Qilu Expressway Company Limited**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 29 June 2018 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the market value of the toll road business of Qilu Expressway Company Limited (the “**Company**”) is based. The Valuation is set out in Appendix IV of the prospectus of the Company dated 29 June 2018 (the “**Prospectus**”) in connection with the proposed initial listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 11.17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company that is consistent with those as set on pages IV-2 to IV-4 of the Prospectus. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 11.17 of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions determined by the directors of the Company that is consistent with those as set out on pages IV-2 to IV-4 of the Prospectus. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 11.17 of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company that is consistent with those as set out on pages IV-2 to IV-4 of the Prospectus.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong,

29 June 2018

C. LETTER FROM THE JOINT SPONSORS

The following is a letter issued by Zhongtai International Capital Limited, one of our Joint Sponsors, regarding the business valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in connection with the appraisal of the market value of our Company's business enterprise, prepared for the purpose of incorporation in this prospectus.



29 June 2018

The Directors

Qilu Expressway Company Limited

Room 2301, Block 4, Zone 3
Hanyu Financial & Business Center
No. 7000 Jinshi East Road, High-tech Zone
Jinan City, Shandong Province
China

Dear Sirs,

We refer to the report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), an independent business valuer engaged by Qilu Expressway Company Limited (the “**Company**”), in connection with the appraisal of the market value of the business enterprise of Qilu Expressway Company Limited as at 31 March 2018 (the “**Business Valuation**”).

According to the valuation report, JLL has adopted income approach for the Business Valuation based on a number of underlying bases and assumptions which are subject to its professional judgement. We also note that PricewaterhouseCoopers has issued a letter regarding the arithmetical calculations for the underlying discounted future estimated cash flows upon which the Business Valuation has been made, a copy of which is set out on page IV-12 to page IV-13 of the prospectus issued by the Company dated 29 June 2018.

We have reviewed the discounted future estimated cash flows and discussed with the directors of the Company, JLL and WB Group International Limited, the traffic consultant of the Company, in respect of the underlying bases and assumptions upon which the Business Valuation was based. We also considered the abovementioned letter issued by PricewaterhouseCoopers. We are of the opinion that market value of the Company's business enterprise as appraised by JLL under the Business Valuation has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Zhongtai International Capital Limited
Maurice Ying
Managing Director

The following is a letter issued by China Securities (International) Corporate Finance Company Limited, one of our Joint Sponsors, regarding the business valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in connection with the appraisal of the market value of our Company's business enterprise, prepared for the purpose of incorporation in this prospectus.



29 June 2018

The Directors

Qilu Expressway Company Limited

Room 2301, Block 4, Zone 3
Hanyu Financial & Business Center
No. 7000 Jinshi East Road, High-tech Zone
Jinan City, Shandong Province
China

Dear Sirs,

We refer to the report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), an independent business valuer engaged by Qilu Expressway Company Limited (the “**Company**”), in connection with the appraisal of the market value of the business enterprise of Qilu Expressway Company Limited as at 31 March 2018 (the “**Business Valuation**”).

According to the valuation report, JLL has adopted income approach for the Business Valuation based on a number of underlying bases and assumptions which are subject to its professional judgement. We also note that PricewaterhouseCoopers has issued a letter regarding the arithmetical calculations for the underlying discounted future estimated cash flows upon which the Business Valuation has been made, a copy of which is set out on page IV-12 to page IV-13 of the prospectus issued by the Company dated 29 June 2018.

We have reviewed the discounted future estimated cash flows and discussed with the directors of the Company, JLL and WB Group International Limited, the traffic consultant of the Company, in respect of the underlying bases and assumptions upon which the Business Valuation was based. We also considered the abovementioned letter issued by PricewaterhouseCoopers. We are of the opinion that market value of the Company's business enterprise as appraised by JLL under the Business Valuation has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of

China Securities (International) Corporate Finance Company Limited

Christine Au
Managing Director
Corporate Finance

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The following is an extract of an independent traffic consultation report prepared by WB Group International Limited in respect of the traffic flow and toll income forecast of the Jihe Expressway in Shandong Province.



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29 June 2018

The Directors

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Dear Sirs,

**The Jihe Expressway in Shandong Province
Traffic Flow and Toll Income Forecasting Study
— Executive Summary**

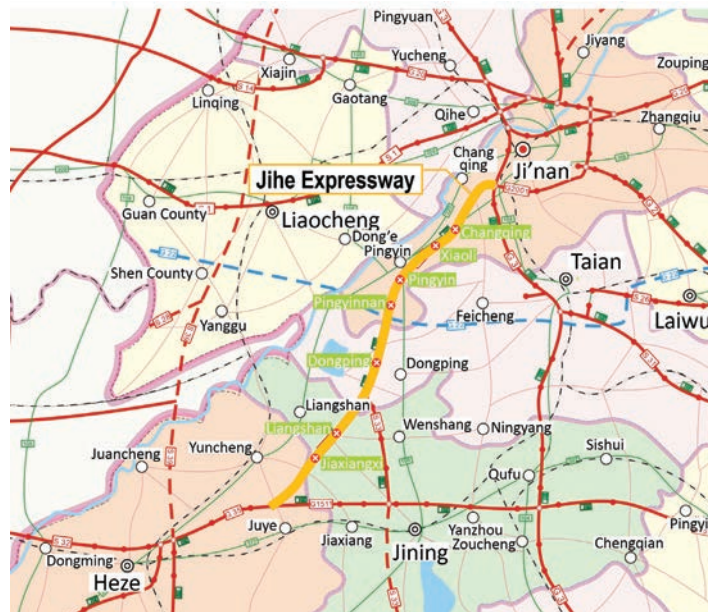
WB Group International Limited (the “**Consultant**”) was appointed by Shandong Jihe Expressway Company Limited (it was renamed as “Qilu Expressway Company Limited” after conversion) to provide traffic consultation services and carry out an independent traffic flow and toll income forecast for the Jihe Expressway in Shandong Province (the “**Jihe Expressway**”).

This Traffic Flow and Toll Income Forecasting Study was prepared with all reasonable and professional techniques, judgement, care and due diligence. The findings of this report are summarised below:

1 INTRODUCTION

The Jihe Expressway is the starting section of the Jinan — Guangzhou Expressway (No. G35) within the national highway network planned by the Ministry of Transport. The Jihe Expressway passes through 9 districts/counties under 4 cities (namely Jinan, Tai’an, Jining, Heze) with a total length of 153.6 km. It connects Yinjialin interchange to the north, which connects Beijing-Shanghai Expressway (Beijing-Taibei Expressway) and Jinan Ring Road, and Rizhao — Dongming Expressway to the south. The two-way four-lane designed Jihe Expressway is a closed system expressway with full operational interchanges and has a design speed of 120 km per hour. The Jihe Expressway started construction in December 2004 and put into operation on 28 September 2007. The location of the Jihe Expressway is shown on Figure 1-1.

Figure 1-1 Location of the Jihe Expressway



2 STUDY APPROACH

The study approach and work steps are summarised below:

- Step 1: *Mobilisation and Data Collection* — The Consultant firstly collected relevant information of the Jihe Expressway, including development trend of the economy and transportation sector and objectives or forecasts of future development projects in Shandong Province, Henan Province, Hebei Province, Anhui Province and Jiangsu Province.
- Step 2: *Route Survey* — The Consultant conducted a detailed survey of the route, in particular the survey of the major roads, to understand the traffic conditions. The development and economic activities along the expressway were observed by driving through the expressway. The travel time and distance were recorded to assess the traffic speed and existing service level of the expressway.
- Step 3: *Traffic Count Survey and Origin-destination (O-D) Survey* — The main purpose of this task is to collect existing traffic travel patterns along the Jihe Expressway as well as all relevant parallel national and provincial highways. The Consultant planned and supervised all traffic surveys, including 24 hours roadside interview surveys for O-D information, vehicle types and types of goods carried by the interviewed trucks. The Consultant also obtained the traffic flow information of the expressways in Shandong Province in order to verify the corresponding data collected from the surveys.

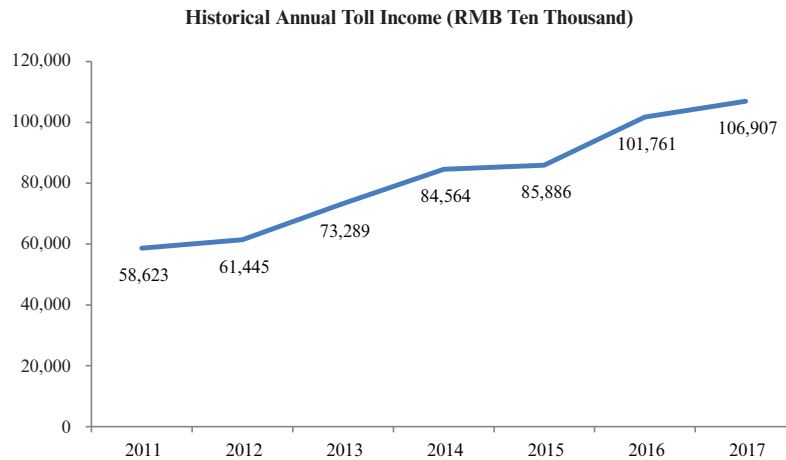
- Step 4: *Annualisation of Traffic Flow Data* — Data collected in Step 3 were used to establish and assess the traffic of the expressway and calculate the annualised daily average traffic flow of the Jihe Expressway and other nearby highways. Time value and operation cost were also determined.
- Step 5: *Road Network Development in Traffic Forecasting Model* — This task included the development of a computer simulation model to replicate the existing traffic conditions along the Jihe Expressway. The computer model simulation software EMME/3 was used to develop and calibrate the road network model. The Consultant believed that the future road network variations within the influenced area will have significant impacts on the traffic forecasting results. Therefore, much efforts were spent by the Consultant to retrieve and review most recent and reliable highway and infrastructure planning and implementation programs from relevant government agencies.
- Step 6: *Socio-economic Analysis* — Another important task was to understand and to predict socio-economic development trends in Shandong Province as well as the vicinity. The Consultant carried out detailed analyses and assessment on the latest socio-economic information released by the government agencies. This task was to identify possible numerical relationships between historical travel demand figures and socio-economic parameters. The extensive coverage and details of the data will dictate the accuracy of the coefficients.
- Step 7: *Distribution and Assignment of Traffic Model* — The results of Steps 3 to 5 formed the basis for the development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic flow and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 6.
- Step 8: *Traffic Flow and Toll Income Forecast* — The traffic flow forecasting model was fine-tuned after information in relation to road network plan, social and economic condition, maintenance cost, economic growth and toll income for the coming year had been made available. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised traffic forecasting model.

3 COLLECTION AND ANALYSIS OF TRAFFIC FLOW AND TOLL INCOME DATA

3.1 Historical Traffic Flow and Toll Income Data

The Jihe Expressway commenced its operation in September 2007. The Consultant considered that the traffic compositions, vehicular modes and traffic flow have become stabilised by the time of the report. The Consultant obtained the annual toll income information from 2011 to 2017 from Qilu Expressway Company Limited and the findings are summarised in Figure 3-1.

Figure 3-1 Historical Annual Toll Income of the Jihe Expressway (RMB Ten Thousand)



Source: Qilu Expressway Company Limited, 2018

3.2 Station to Station Traffic Data

The Consultant obtained from the Shandong Province Expressway Toll Settlement Centre the Station-to-Station traffic data for seven days from 19 March 2017 to 25 March 2017. The data are records of each vehicle traveling in and out of the highway network in Shandong Province, including vehicle types, gross weight (trucks) and toll charges. This data reflects the latest traffic information in normal circumstances which enabled the Consultant to understand the compositions of the vehicle stream, the origins and destinations of vehicles and total distance travelled on the Jihe Expressway. As there is no main line toll station on the Jihe Expressway, the Station-to-Station traffic data also helps understand the characteristics of traffic patterns.

The advantages of deriving the traffic pattern on the expressway system from the Station-to-Station data are:

1. The data was recorded by electronic devices without any on-site investigations and surveys, thereby avoiding unnecessary disturbance to the traffic;

2. The data was directly obtained from Shandong Expressway Toll Settlement Centre avoiding mistakes arising from manual data entry and coding processes of O-D data. This enhanced the accuracy of the base traffic data used in subsequent analyses;
3. The data represented a 100% universe and 24 hour records on the expressway system (except for toll-exempted and toll-free vehicles). The discrepancies and duplications likely to be incurred by a manual survey sampling method were thereby avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic levels, travel directions and traffic compositions of the Jihe Expressway, the Consultant undertook the following 24-hour traffic surveys on 20 March 2018 (under ordinary operation and weather condition): Origin-Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow of traffic count surveys.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. To ensure the coverage of sampling, the Consultant collected a total of 8,199 O-D survey samples at 7 toll stations. An overall sampling rate of 39.8% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types with very low traffic flow, the overall sampling representation for all vehicle types was satisfactory. The results of the O-D surveys by different vehicle types in different locations are summarised in Table 3-1.

Table 3-1 Sample Rates of O-D Surveys

<u>Survey Location</u>	<u>PV1</u>	<u>PV2</u>	<u>PV3</u>	<u>PV4</u>	<u>GV1</u>	<u>GV2</u>	<u>GV3</u>	<u>GV4</u>	<u>GV5</u>
Changqing	30%	18%	0%	11%	54%	47%	46%	45%	57%
Xiaoli	22%	37%	5%	8%	50%	55%	26%	78%	52%
Pingyin	17%	18%	25%	5%	33%	30%	31%	71%	55%
Pingyin South.	14%	18%	10%	6%	34%	34%	37%	32%	32%
Dongping.	51%	19%	10%	7%	61%	71%	90%	64%	73%
Liangshan	66%	74%	10%	13%	87%	82%	99%	87%	89%
Jiaxiang West.	16%	47%	3%	7%	25%	46%	33%	25%	35%

Source: Consultant, 2018

Note: PV1, PV2, PV3 and PV4 represent Class 1 passenger car (not more than 7 seats), Class 2 passenger car (8–19 seats), Class 3 passenger car (20–39 seats), Class 4 passenger car (40 seats or above) respectively. GV1, GV2, GV3, GV4 and GV5 represent Class 1 Truck (not more than 2 tons), Class 2 Truck (2–5 (inclusive) tons), Class 3 Truck (5–10 (inclusive) tons), Class 4 Truck (10–15 (inclusive) tons and 20 feet container) and Class 5 Truck (More than 15 tons and 40 feet container) respectively.

Classified Traffic Count Surveys

Classified traffic count surveys comprised of classified traffic counts at toll stations and classified section flow of traffic counts on the Jihe Expressway. The results of the traffic count surveys were used to calibrate the base year traffic flow forecasting model and are summarised in Table 3-2.

Table 3-2 Classified Traffic Count Survey Results (Vehicles)

<u>Survey Location</u>	<u>Direction</u>	<u>PV1</u>	<u>PV2</u>	<u>PV3</u>	<u>PV4</u>	<u>GV1</u>	<u>GV2</u>	<u>GV3</u>	<u>GV4</u>	<u>GV5</u>	<u>Unknown Vehicle Type</u>
Changqing	In	1,694	51	44	12	220	177	67	74	609	—
	Out	2,178	76	46	18	267	276	74	74	639	—
Xiaoli	In	1,169	43	78	4	106	66	30	16	246	—
	Out	1,202	67	78	23	110	76	31	22	422	—
Pingyin	In	2,827	27	77	76	76	43	15	6	56	—
	Out	2,279	62	76	58	215	70	16	14	87	—
Pingyin South.	In	709	26	38	10	144	180	64	77	674	—
	Out	728	39	63	11	154	176	52	72	802	—
Dongping.	In	1,345	27	70	37	115	46	8	11	147	—
	Out	1,357	26	59	40	127	78	14	22	159	—
Liangshan	In	1,518	13	64	33	171	206	173	112	1,347	—
	Out	1,479	19	68	31	212	300	289	126	1,175	—
Jiaxiang West.	In	1,404	12	71	36	282	233	139	170	2,221	—
	Out	1,329	15	77	42	221	255	160	125	2,159	—
Yinjialin Stack Interchange —	Jinan — Heze Heze — Jinan	10,307 11,032	234 255	288 318	223 265	884 901	637 646	353 311	348 356	3,099 2,769	2,472 1,514
Changqing											
Xiaoli — Pingyin	Jinan — Heze	9,168	168	256	201	645	421	300	266	2,243	1,812
	Heze — Jinan	9,770	199	251	269	556	378	210	238	1,847	1,379
Dongping — Dongpinghu Stack Interchange	Jinan — Heze	7,689	97	204	184	695	538	399	366	3,080	1,198
	Heze — Jinan	8,272	143	212	224	636	539	280	339	2,830	946
Jiaxiang West — Wanguantun Stack Interchange	Jinan — Heze	3,959	46	89	123	371	297	233	275	3,259	1,411
	Heze — Jinan	4,290	71	79	155	329	350	263	248	3,221	671

Source: Consultant, 2018

Note: Due to the poor visibility at night, it was difficult to distinguish the types of vehicles in some sections, and those vehicles were classified as “unknown”.

4 APPROACH OF TRAFFIC AND REVENUE FORECAST

Traffic flow may directly and indirectly be affected by a number of factors, including but not limited to (i) toll rates; (ii) fuel prices; (iii) vehicle prices and the cost of owning and operating vehicles; (iv) population growth, vehicle ownership growth and growth in the number of people of driving age; (v) the availability, quality and proximity of the expressways compared to alternative roads and other competing modes of transportation; and (vi) general development of the provinces, cities and townships served by an expressway. To perform an accurate forecasting of future traffic on, and revenue projection for, the Jihe Expressway, the Consultant developed a comprehensive socio-economic and traffic forecasting model. This section summarises the main approach and the key assumptions used by the Consultant in its traffic and revenue forecast model:

1. Forecasting Period:

Year 2018 to 2034

2. Socio-Economic Model:

The purpose of this model was to derive the relationships between historical socio-economic (mainly GDP) and traffic demand and to predict the future traffic growth. Major components include:

Model Input:

- Historical socio-economic data (refer to sub-section 4 below)
- Historical traffic data (refer to Section 3 above)
- Future socio-economic assumptions (refer to sub-section 4 below)

Model Output:

- Future traffic growth

3. Traffic Forecasting Model:

A professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant identified 862 traffic analysis zones (Traffic Analysis Zone, TAZ) within the analysis area and grouped the TAZ into 20 aggregate zones (Middle Zone) for analysis purposes. The main objectives of the traffic forecasting model were to calibrate base year conditions, to adopt reasonable

traffic growth assumptions and to predict traffic distribution and assignment patterns on the expressway network in order to obtain reasonable traffic and toll income forecast results. Major model components include:

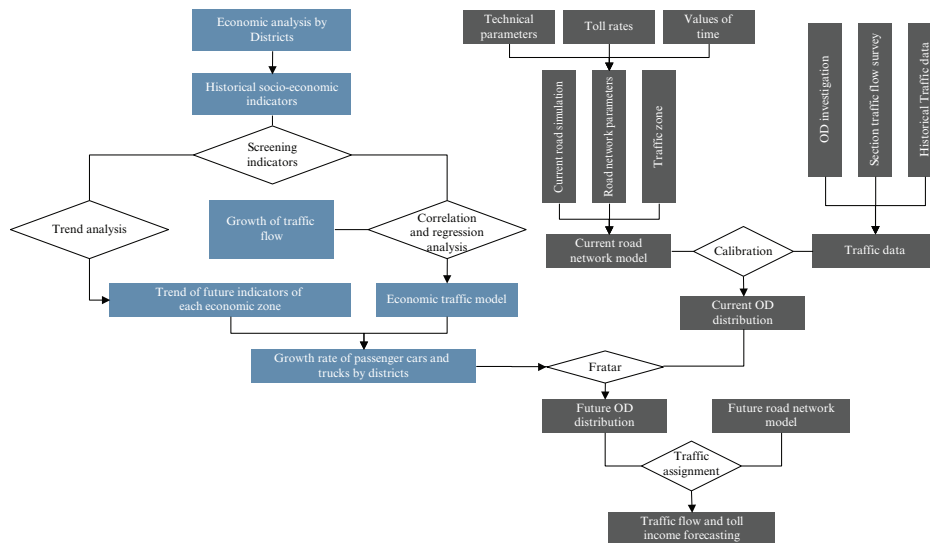
Model Input:

- Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
- Base year model calibration (refer to sub-section 5 below)
- Future traffic growth (refer to sub-section 2 above)
- Road and rail networks (refer to sub-section 6 below)
- Passenger car unit conversion factors (refer to sub-section 7 below)
- Toll rates (refer to sub-section 8 below)
- Flow delay functions and capacity estimation (refer to sub-section 9 below)
- Traffic assignment (refer to sub-section 10 below)

Model Output:

- Future year traffic flow and revenue

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant, 2018

4. Socio-economic Factors:

In order to analyse the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, car ownership and GDP of secondary industry were thoroughly investigated. The selected economic parameters were then subjected to correlation and regression analyses. It was found that GDP was mainly correlated to the traffic growth.

In general, it is difficult to predict the future growth pattern of economic parameters. It may be unreasonable to adopt a uniform trend forecast for all the economic parameters. Consequently, the Consultant, being a non economic professional entity, determined the future trends of the parameters based on historic growth of China, and related provinces and municipalities, Thirteenth Five-year Plan (2016 to 2020), urban master plan and international and domestic urban city development process. Assumptions of future GDP growth rate are summarised in Table 4-1.

Table 4-1 Future GDP Growth Assumptions of the Economic Analysis Zone

<u>Years</u>	<u>Jinan</u>	<u>Qingdao</u>	<u>Zibo</u>	<u>Zaozhuang</u>	<u>Dongying</u>	<u>Yantai</u>	<u>Weifang</u>
2016–2020	7.0%	7.0%	7.0%	7.0%	7.5%	7.5%	7.5%
2021–2025	5.5%	5.5%	5.5%	5.5%	6.0%	6.0%	6.0%
2026–2030	4.0%	4.0%	4.0%	4.0%	4.5%	4.5%	4.5%
2031–2035	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.5%
2036–2040	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%

<u>Years</u>	<u>Jining</u>	<u>Tai'an</u>	<u>Weihai</u>	<u>Rizhao</u>	<u>Laiwu</u>	<u>Linyi</u>	<u>Dezhou</u>
2016–2020	7.5%	7.5%	7.5%	7.5%	7.0%	7.5%	7.5%
2021–2025	6.0%	6.0%	6.0%	6.0%	5.5%	6.0%	6.0%
2026–2030	4.5%	4.5%	4.5%	4.5%	4.0%	4.5%	4.5%
2031–2035	3.5%	3.5%	3.5%	3.5%	3.0%	3.5%	3.5%
2036–2040	2.5%	2.5%	2.5%	2.5%	2.0%	2.5%	2.5%

<u>Years</u>	<u>Liaocheng</u>	<u>Binzhou</u>	<u>Heze</u>	<u>Beijing, Tianjin and Hebei</u>	<u>Henan</u>	<u>Jiangsu, Anhui, Zhejiang and Shanghai</u>
2016–2020	7.5%	7.0%	8.0%	7.0%	8.0%	7.0%
2021–2025	6.0%	5.5%	6.5%	5.5%	6.0%	5.5%
2026–2030	4.5%	4.0%	5.0%	4.0%	4.5%	4.0%
2031–2035	3.5%	3.0%	3.5%	3.0%	3.0%	3.0%
2036–2040	2.5%	2.0%	2.5%	2.0%	2.0%	2.0%

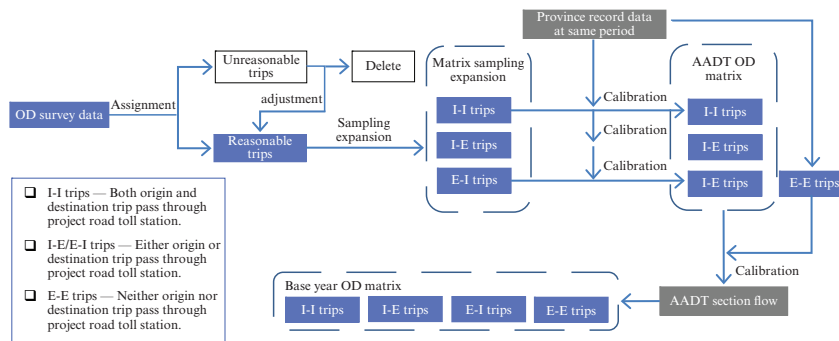
Source: Consultant, 2018

Note: Secondary industry, or generally called manufacturing industry, refers to the industry that converts the raw materials provided by primary industry into commodities and products for the consumer.

5. Traffic Model Calibration:

The Consultant has calibrated the base year traffic model against existing traffic conditions. The procedure was summarised in the following figure. According to the calibrated results, the volumes forecasted by the Consultant were compatible to the observed volumes (discrepancies were within ± 10%). The Consultant concluded that the calibrated model could adequately simulate travel patterns and paths and could be used to perform future traffic flow and toll income forecasting.

Figure 4-2 Model Calibration Procedures



Source: Consultant, 2018

Table 4-2 Traffic Model Calibration Results (Vehicles/Day)

Calibration Location	Direction	Observed	Modelled	Difference
Changqing	In	3,186	3,271	2.67%
	Out	3,348	3,411	1.88%
Xiaoli	In	1,888	1,938	2.66%
	Out	1,774	1,778	0.19%
Pingyin	In	2,823	2,912	3.14%
	Out	2,942	2,967	0.86%
Pingyin South	In	3,527	3,589	1.73%
	Out	3,432	3,493	1.77%
Dongping	In	2,923	2,859	-2.17%
	Out	2,906	2,858	-1.63%
Liangshan	In	3,109	3,093	-0.54%
	Out	3,130	3,027	-3.30%
Jiaxiang West	In	2,213	2,193	-0.90%
	Out	2,183	2,129	-2.49%
Yinjialin Interchange — Changqing	Jinan — Heze	17,925	17,895	-0.17%
	Heze — Jinan	17,860	17,849	-0.06%
Xiaoli — Pingyin	Jinan — Heze	15,171	15,240	0.46%
	Heze — Jinan	15,087	15,174	0.58%
Dongping — Dongpinghu Stack Interchange	Jinan — Heze	15,298	15,196	-0.67%
	Heze — Jinan	15,438	15,289	-0.97%
Jiaxiang West — Wangguantun Stack Interchange	Jinan — Heze	10,082	10,086	0.04%
	Heze — Jinan	9,650	9,685	0.35%

Source: Consultant, 2018

6. Road and Rail Networks:

During the development process of the road network in the base year, the Consultant made references of the existing Shandong Province Expressway Network map and the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2014 to 2030) and developed the transportation supply model by inputting the data of road networks in Shandong Province and nearby provinces into EMME/3. All major highway facilities were included in the EMME/3 road network, including expressways and national highways. The network would include characteristics such as speed, capacity, distance and levels of operation (expressed in delays and cost indices).

In order to adequately assess the impacts of future highway network changes on traffic flow of the Jihe Expressway, the Consultant referred to the Shandong Province highway construction programs as stipulated in Shandong’s Thirteenth Five-year Plan and Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2014 to 2030) and reviewed the progress of roads under construction to conclude the future changes in the surrounding road networks of the Jihe Expressway. The locations of the changes on the road networks are shown in Figure 4-3 and the traffic impacts of the new highways opening on the Jihe Expressway are summarised in the following Table 4-3.

Figure 4-3 Illustration of the Locations of the Changes on the Road Networks



Source: Consultant, 2018

Table 4-3 Anticipated Traffic Impacts of New Highways

No.	Name	Location	Date of Road Work Commencement or Closure/Date of Road Work Completion (if applicable) and the Toll Road Opening to Traffic	Toll Rates	Traffic Diversion/Attraction Impact on the Jihe Expressway	Impact Level to the Jihe Expressway
a	Completion of maintenance of national highway G105 (Class I Highway)	The boundary between Pingyin County and Dongping County to Longshantun Village (平陰東平界至龍山屯村)	10 May 2017/31 December 2017	Free	Closure of the national highway G105 (the boundary between Pingyin County and Dongping County to Longshantun Village section) was ended in December 2017. Upon the completion of construction, it is anticipated that certain short-distance traffic will return to the national highway G105.	Traffic flow: -1.1% Toll income: -1.5%
b	Restriction on trucks with five axles or above during the transformation of Jinan — Qingdao Expressway (Expressway)	Qingdao City to Jinan City (青島市至濟南市)	1 November 2017/31 January 2019 (estimated to be opened in the 4 th quarter of 2018)	Same as the Jihe Expressway	Affected by the transformation of the Jinan — Qingdao Expressway, trucks with five axles or above will be restricted from using the Jinan — Qingdao Expressway. Class 4 and Class 5 trucks travelling to Heze from regions such as Weifang and Zibo will be restricted from using the Jihe Expressway, resulting in a decrease in toll income during the transformation period.	Traffic flow: -4.6% Toll income: -8.3%
c	Closure of national highway G220 for construction (Class I Highway)	Taozhuang Village to the boundary between Pingyin County and Dongping County (陶莊至平陰東平界)	1 February 2018/31 December 2018	Free	Subject to the approval by the competent authorities, all lanes of the national highway G220 (Taozhuang to the boundary between Pingyin County and Dongping County section) would be closed for construction works from 1 February 2018 to 31 December 2018. During the period, traffic may be diverted to drive through the national highway G105 and the Jihe Expressway, resulting in an increase in traffic flow and toll income of the Jihe Expressway.	Traffic flow: +2.7% Toll income: +3.0%

No.	Name	Location	Date of Road Work Commencement or Closure/Date of Road Work Completion (if applicable) and the Toll Road Opening to Traffic	Toll Rates	Traffic Diversion/Attraction Impact on the Jihe Expressway	Impact Level to the Jihe Expressway
1	G22 Qingdao — Lanzhou Expressway (Tai'an to Liaocheng Section) (Expressway)	Dong'e County to Shen County (東阿縣至莘縣)	15 October 2016/ December 2019	Same as the Jihe Expressway	With the opening of the G22 Qingdao — Lanzhou Expressway (Tai'an to Liaocheng Section), some of the traffic from Tai'an and Laiwu to Heze, Kaifeng and Shangqiu will be attracted to G22 and the Jihe Expressway.	Traffic flow: +0.6% Toll income: +0.2%
2	Juye — Shan County Expressway: Wangguantun Interchange (links the Jihe Expressway and Rizhao — Lanzhou Expressway) to south connects Anhui Dangshan — Qimen Expressway through Shan County (Expressway)	Wanguantun Interchange of the Jihe Expressway to Shan County (濟荷高速王官屯互通樞紐至單縣)	May 2017/May 2020	Same as the Jihe Expressway	With the opening of the Juye — Shan County Expressway, some of the traffic from Liaocheng, Dongping and Pingyin to Xuzhou will be attracted to the Jihe Expressway and the Juye — Shan County Expressway.	Traffic flow: +2.4% Toll income: +2.0%

No.	Name	Location	Date of Road Work Commencement or Closure/Date of Road Work Completion (if applicable) and the Toll Road Opening to Traffic	Toll Rates	Traffic Diversion/Attraction Impact on the Jihe Expressway	Impact Level to the Jihe Expressway
3	Jinan – Tai'an Expressway (Expressway)	Ji'nan City to Tai'an City (濟南市至泰安市)	December 2016/ March 2020	More expensive than the Jihe Expressway (as there are many tunnels along the Jinan – Tai'an Expressway) ^(Note)	With the opening of Jinan – Tai'an Expressway, small amount of the traffic from Jinan to Tai'an will be diverted to Jinan – Tai'an Expressway.	Traffic flow: -0.1% Toll income: -0.2%

Note:

According to 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)), vehicles passing through grand bridges and tunnels on expressways are additionally charged for that particular grand bridge or tunnel section, for which the toll rates are higher than the normal road section. Vehicles passing through grand bridges and tunnels on expressways would be additionally charged for that particular grand bridge or tunnel section in accordance with the toll rate set out below.

Vehicle classification	Vehicle type		Toll rates (RMB/vehicle)
	Passenger vehicle	Truck	
Class 1 vehicle	≤ 7 seats	≤ 2 tons	15
Class 2 vehicle	8–19 seats	2–5 tons (including 5 tons)	20
Class 3 vehicle	20–39 seats	5–10 tons (including 10 tons)	25
Class 4 vehicle	≥ 40 seats	10–15 tons (including 15 tons) 20 feet container	30
Class 5 vehicle	—	> 15 tons 40 feet container	35

Whereas such expressway are equipped with weighing devices, the toll rates applicable to trucks additionally charged for that particular grand bridge or tunnel section would be determined on the following basis:

	Portion of the Gross Vehicle Weight less than or equal to 10 tons	Portion of the Gross Vehicle Weight more than 10 tons but not more than 49 tons
Below or at Maximum Loading	RMB1.5/ton per vehicle (the “Standard Rate for Grand Bridges and Tunnels”) (subject to a minimum of 10 tons)	Linear reduction from RMB1.5/ton per vehicle to RMB0.714/ton per vehicle
Over Maximum Loading	Normal toll is charged for the portion of the weight below the Maximum Loading; 0 to 30% (including 30%) of the portion above the Maximum Loading is charged at a linear increasing rate at one to three times of the Standard Rate for Grand Bridges and Tunnels; 30% to 100% (including 100%) of the portion above the Maximum Loading is charged at a linear increasing rate equal to three to six times of the Standard Rate for Grand Bridges and Tunnels; more than 100% of the portion above the Maximum Loading is charged at a rate equal to six times of the Standard Rate for Grand Bridges and Tunnels.	

No.	Name	Location	Date of Road Work Commencement or Closure/Date of Road Work Completion (if applicable) and the Toll Road Opening to Traffic	Toll Rates	Traffic Diversion/Attraction Impact on the Jihe Expressway	Impact Level to the Jihe Expressway
4	Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Ningyang to Liangshan Section) (Expressway)	Ningyang County to Liangshan County (寧陽縣至梁山縣)	December 2016/ December 2019	Same as the Jihe Expressway	With the opening of Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Ningyang to Liangshan Section), some of the traffic from Tai'an, Laiwu to Heze, Shangqiu will be attracted to this expressway and the Jihe Expressway.	Traffic flow: +0.4% Toll income: +0.2%
5	Dezhou — Dong'e Expressway (Gaotang to Dong'e Section) (Expressway)	Gaotang County to Dong'e County (高唐縣至東阿縣)	18 December 2017/ December 2020	Same as the Jihe Expressway	With the opening of the Dezhou — Dong'e Expressway (Gaotang to Dong'e Section), some traffic from Gaotang, Xiajin, Yucheng to Pingyin, Dongping, Jining will be diverted to this expressway.	Traffic flow: -0.1% Toll income: -0.1%
6	Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Xintai to Ningyang Section) (Expressway)	Xintai City to Ningyang County (新泰市至寧陽縣)	December 2017/ December 2020	Same as the Jihe Expressway	With the opening of Qingdao (Dongjiakou Port) — Liangshan Expressway (Xintai to Ningyang Section), some of the traffic from Xintai, Mengyin to Heze, Shangqiu will be diverted to this expressway.	Traffic flow: -0.3% Toll income: -0.3%
7	Major maintenance and repair works of the Jihe Expressway (Expressway)	Ji'nan City to Heze City (濟南市至荷澤市)	2022	—	The Jihe Expressway is planned to carry out major maintenance and repair works in 2022, which will affect the travelling quality of vehicles and cause some diversion for short-distance traffic.	Traffic flow: -7.8% Toll income: -7.5%
8	Dezhou — Dong'e Expressway (Dezhou to Gaotang Section) (Expressway)	Dezhou City to Gaotang County (德州市至高唐縣)	The engineering feasibility study is not conducted and reasonable expectation of the opening year is 2025	Same as the Jihe Expressway	With the opening of the Dezhou — Dong'e Expressway (Dezhou to Gaotang Section), some traffic from Dezhou, Hebei to Pingyin, Dongping, Jining will be diverted to this expressway.	Traffic flow: -3.5% Toll income: -3.7%

No.	Name	Location	Date of Road Work Commencement or Closure/Date of Road Work Completion (if applicable) and the Toll Road Opening to Traffic	Toll Rates	Traffic Diversion/Attraction Impact on the Jihe Expressway	Impact Level to the Jihe Expressway
9	Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway (Dongjiakou to Xintai Section) (Expressway)	Dongjiakou Port to Xintai City (董家口港至新泰市)	The section from Dongjiakou to Wulian is at engineering feasibility study stage, and the full line is expected to be opened by 2030	Same as the Jihe Expressway	With the combined effect of Qingdao (Dongjiakou Port) — Liangshan (the boundary of Shandong Province and Henan Province) Expressway and Jinan Second Ring Road, some traffic under the “Dezhou — Dong'e — G22 — Pingyin South Interchange” route will be diverted to “G3 — Jinan Second Ring Road — Jihe Expressway — Pingyin South Interchange” route. In addition, the traffic from Qingdao to Heze (using the G1511) would be enticed to use “Qingdao — Liangshan — Jihe Expressway” route.	The joint impacts of the expressway No. 9 and No. 10 on the Jihe Expressway are as follows: Traffic flow: +3.2% Toll income: +2.9%
10	Jinan Second Ring Road (Expressway)	Around Jinan City (濟南市周邊)	It is estimated to be opened in 2030	Same as the Jihe Expressway	Please refer to the above.	

Source: Consultant, 2018

Note: Other new expressways that are tested in the model but are not shown on the above table, which serve different travel demand corridors or are too far away from the Jihe Expressway, were assumed to have insignificant impacts on the Jihe Expressway.

Similar to the future road network development in Shandong Province, the Consultant has taken into account the possible impact from existing and future rail development programs and their impact on the Jihe Expressway.

Existing railways:

The Beijing-Shanghai Railway connects between Beijing to the north and Shanghai to the south. The line has a total length of 1,462 km. There are 11 stations within Shandong Province, including Dezhou Station, Pingyuan Station, Yucheng Station, Yancheng Station, Jinan Station, Tai'an Station, Ciyao Station, Yanzhou Station, Zoucheng Station, Tengzhou Station and Zaozhuang West Station.

The Beijing-Shanghai High-speed Railway was opened on 30 June 2011 and has a total length of 1,318 km with a designed speed of 380 km per hour. Part of the railway, with the length of 358 km, is operating within Shandong Province, including Dezhou East Station, Jinan West Station, Tai'an Station, Qufu East Station, Tengzhou East Station and Zaozhuang Station.

The Beijing-Kowloon Railway connects between Beijing West Railway Station to the north and Hung Hom Station (Hong Kong) to the south. It was opened on 1 September 1996, and has a total length of 2,553 km. Stations within Shandong Province include Linqing Station, Liaocheng Station, Yanggu Station, Liangshan Station, Yuncheng Station, Juancheng Station, Heze Station, Dingtao Station and Caoxian Station.

Planned railways:

The Beijing-Kowloon High-Speed Railway will connect Beijing to the north and Kowloon, Hong Kong to the south, through Hebei Province, Shandong Province, Henan Province, Anhui Province, etc. According to the “Medium and Long Term Development Plan of Shandong Provincial Comprehensive Transportation Networks”, the section of the line within Shandong Province is the western vertical line of the “three verticals and three horizontal rail system”, which is also called the Linqing — Liaocheng — Heze Railway. It has a total length of approximately 270 km, including 3 stations: Linqing Station, Liaocheng Station and Heze Station.

The base year for the future traffic flow and toll income forecast of the Jihe Expressway was set at 2017 (when Beijing-Shanghai Railway and the Beijing-Shanghai High-speed Railway have been opened for many years), so the base year data has already reflected the impact from these existing railways. The opening of the Beijing-Kowloon High-speed Railway in the future would attract some passenger cars which are using the Deshang Expressway. The impact on the Jihe Expressway is minimal in the future.

As confirmed by the Consultant, there shall be no any alternative route, whether currently in operation, under construction or planned, that may exempt or charge lower tolls, or alternative means of transport, which may divert the traffic flow of the Jihe Expressway or competing/may compete with the Jihe Expressway as at the Latest Practicable Date and in the foreseeable future.

7. Passenger Car Unit (PCU):

For traffic flow forecasting, all types of vehicles were converted into equivalent “passenger car units (PCU)” before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables, such as headway, speed, density, compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-4 Passenger Car Units

Vehicle Type	No.	Code	Vehicle Type Description	Conversion Factor
Passenger Car.	1	PV1	≤7 seats	1.0
	2	PV2	8–19 seats (including 19 seats)	1.5
	3	PV3	20–39 seats (including 39 seats)	2.0
	4	PV4	≥40 seats	2.5
Truck	5	GV1	≤2 tons	1.5
	6	GV2	2–5 tons (including 5 tons)	2.0
	7	GV3	5–10 tons (including 10 tons)	2.5
	8	GV4	10–15 tons (including 15 tons)	2.5
	9	GV5	> 15 tons	3.0

Source: Consultant, 2018

8. Toll Rate Assumption:

According to 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)), tolls of all toll roads in Shandong Province shall be charged in two ways: toll charges by weight or by vehicle type. For toll roads installed with weighing equipment, passenger cars will be charged by vehicle type and trucks will be charged by ton-km. On the other hand, for toll roads which are without weighing equipment, all passenger cars and trucks will be charged by vehicle type. The basic toll and weight-based toll charging systems were established as shown in Table 4-5 and Table 4-6 below, respectively. In this study, the Consultant has assumed that the existing toll rates will remain unchanged until the end of the concession period on the Jihe Expressway.

Table 4-5 Basic Toll Charges (RMB/Km) of the Jihe Expressway

Class Type	Vehicle Type and Specification		Toll Rate Coefficient	Toll Rates (RMB/Km)
	Passenger Car	Truck		
Class 1 . . .	≤7 seats		1	0.40
		≤2 tons	1	0.40
Class 2 . . .	8–19 seats		1.25	0.50
		2–5 tons (including 5 tons)	1.8	0.72
Class 3 . . .	20–39 seats		1.5	0.60
		5–10 tons (including 10 tons)	2.5	1
Class 4 . . .	≥40 seats		1.875	0.75
		10–15 tons (including 15 tons)	3	1.20
Class 5 . . .		20 feet container		
		> 15 tons	3.5	1.40
		40 feet container		

Source: Qilu Expressway Company Limited, 2018

Table 4-6 Weight-Based Toll Charges (RMB/Ton-Km) of the Jihe Expressway

	<u>Gross Vehicle Weight not more than 10 tons</u>	<u>Gross Vehicle Weight more than 10 tons but not more than 49 tons</u>
Below Maximum Loading	RMB0.08/ton-km (the “Standard Rate”) (subject to a minimum of 5 tons)	Linear reduction from RMB0.08/ton-km to RMB0.03265/ton-km
Overweight	The Standard Rate is charged for the Maximum Loading; 0 to 30% (including 30%) overweight portion is charged at a linear increasing rate equal to 1 to 3 times of the Standard Rate; 30% to 100% (including 100%) overweight portion is charged at a linear increasing rate equal to 3 to 6 times of the Standard Rate; more than 100% overweight portion is charged at a rate equal to 6 times of the Standard Rate.	

Source: Qilu Expressway Company Limited, 2018

Based on the Notice of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays (《重大節假日免收小型客車通行費實施方案》) issued on 24 July 2012, small passenger vehicles may enjoy toll free travel on expressways during four national statutory holidays, namely Chinese New Year, Ching Ming Festival, Labour Festival and National Day. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all government approved expressways, including the Jihe Expressway. In order to assess the impact of this policy, the Consultant assumed such four national statutory holidays (Chinese New Year, Ching Ming Festival, Labour Festival and National Day) would cover a total of 20 days. The impact was accounted for in the traffic flow and toll income forecasting procedures and results. The Consultant also assumed that this toll free policy will remain unchanged till the end of the concession period of the Jihe Expressway.

9. Traffic Flow Delay Functions and Road Capacity:

Assuming that there is no road expansion in the future, the capacity of the Jihe Expressway in the base year was 63,765 vehicles per day.

Travel time is usually derived directly from the speed of the vehicle which in turn would be influenced by the level of congestion on the road. Congestion level on the project expressway in the base year has been calculated. As the traffic flow increases in the coming years, it is necessary to estimate future travel speeds on the Jihe Expressway through “capacity constrained” traffic distribution model.

The major factors that may affect the capacity of an expressway include design standards (designed speed), vehicle type, hourly distribution of daily traffic flow (peak hour factor) etc. The assumptions adopted for the planning and design of the Jihe Expressway included a designed speed of 120 km/hr., a designed level of service C ($0.55 \leq \text{Flow/Capacity Ratio} \leq 0.75$), a section flow capacity of 1,650 pcu/lane/hr. (referred to Highway Engineering Technical Specifications — JTG B01–2014), a peak hour factor of 6.35% (derived from survey data), and an average passenger car conversion factor of 1.63 pcu/veh (derived from survey data). The existing capacity of the Jihe Expressway could be calculated as follows:

$$1,650 \text{ (pcu/hr/lane)} \times 4 \text{ (lanes)} \div 1.63 \text{ (pcu/veh)} \div 6.35\% \approx 63,765 \text{ (veh/day)}$$

However, changes in the ratio of passenger cars to trucks using the Jihe Expressway in the future will affect the section flow capacity measured in the number of vehicles on the Jihe Expressway. The future capacity of the Jihe Expressway may vary from the base year calculation.

10. Traffic Assignment:

This study adopted the “generalized cost” as the factor to influence the decisions to select travel paths by drivers. This will arrive at a balanced trip distribution on the road networks within the study area. The “generalized cost” includes all elements and factors, such as travel time, travel distance, operation costs of vehicles etc., that may affect the choice of travel paths of drivers.

The traffic assignment model used by the Consultant has taken into consideration typical road users' willingness to pay certain travel costs and speed and congestion levels on the Jihe Expressway in comparison to alternative expressways. From the trip matrices, the trip between any two TAZs is allocated by the model to the path of the lowest generalized cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalized cost. For example, if there are two highways of the same class in an iteration, the highway which carries lower flow would be selected as the travel path. However, in a subsequent iteration, these two highways may have different generalized costs, this would then dictate which would be the more attractive path. This process is repeated until traffic flow on the competing highways reach a state of equilibrium. Toll income of the Jihe Expressway is then calculated by applying the toll rates to the traffic flow by taking into account the distance travelled.

5 TRAFFIC AND REVENUE FORECAST RESULTS

Based on the above study and the key assumptions described in Section 4 above, the future traffic flow and toll income were generated from the traffic model developed by the Consultant, with the base year of the study being in 2017 and forecasting period between 2018 to 2034. The forecasts are based on data of the base year and have been taken into consideration regional economic growth and the impacts of the changes in the road networks. The traffic model generated annual average daily traffic flow and toll income for each type of vehicle. For practical purposes, in addition to the base case, sensitivity tests were also carried out in the forecast. The scenarios were described in Table 5-1 below.

Table 5-1 Description of Scenarios

Case	Contents
(1) Base Case	Based on the assumptions in Section 4;
(2) Sensitivity Test 1: Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2: Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;

Source: Consultant, 2018

5.1 Base Case

Based on the assumptions shown in Table 5-1, the forecasted traffic flow and toll income of the Jihe Expressway for the Base Case were shown in Table 5-2 and Table 5-3, respectively.

**Table 5-2 Average Daily Traffic flow on the Jihe Expressway (Base Case)
(Vehicles/Day)**

Year	Average Daily Traffic Flow ^(a)		Weighted Average Daily Section Flow ^(b)										
	Total	Growth	PV1	PV2	PV3	PV4	GV1	GV2	GV3	GV4	GV5	Total	Growth
2018 ⁽¹⁾	57,832	—	15,195	306	597	349	1,731	1,559	775	588	8,280	29,380	—
2019 ⁽²⁾	60,520	4.6%	16,060	323	628	368	1,750	1,597	803	748	9,601	31,878	8.5%
2020 ⁽³⁾	66,534	9.9%	17,670	356	684	403	1,903	1,739	853	834	10,467	34,909	9.5%
2021 ⁽⁴⁾	70,585	6.1%	18,854	380	732	431	1,984	1,818	891	873	10,942	36,905	5.7%
2022 ⁽⁵⁾	61,271	-13.2%	18,488	367	709	424	1,897	1,752	876	861	10,651	36,025	-2.4%
2023	79,009	28.9%	21,467	433	833	492	2,167	1,990	976	957	12,003	41,318	14.7%
2024	83,371	5.5%	22,848	461	887	524	2,259	2,076	1,018	1,000	12,536	43,609	5.5%
2025 ⁽⁶⁾	87,846	5.4%	23,555	479	939	546	2,225	2,045	1,017	987	12,529	44,322	1.6%
2026	92,127	4.9%	24,907	506	992	578	2,305	2,120	1,054	1,024	13,002	46,488	4.9%
2027	96,459	4.7%	26,290	534	1,048	610	2,383	2,193	1,091	1,060	13,465	48,674	4.7%
2028	100,772	4.5%	27,665	563	1,102	643	2,455	2,261	1,126	1,094	13,893	50,802	4.4%
2029	105,269	3.8%	28,929	588	1,153	673	2,512	2,316	1,153	1,121	14,223	52,668	3.7%
2030 ⁽⁷⁾	112,570	7.0%	31,187	630	1,224	720	2,693	2,501	1,228	1,201	14,843	56,227	6.8%
2031	116,960	2.9%	32,259	651	1,267	746	2,729	2,537	1,247	1,220	15,080	57,736	2.7%
2032	121,387	2.8%	33,315	672	1,309	772	2,761	2,571	1,265	1,238	15,301	59,204	2.5%
2033	125,845	2.1%	34,158	689	1,343	793	2,772	2,583	1,272	1,245	15,385	60,240	1.7%
2034	130,330	2.0%	34,977	705	1,376	813	2,779	2,591	1,277	1,250	15,436	61,204	1.6%

Source: Consultant, 2018

Notes:

- (a) The average daily traffic flow (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving from the project road toll stations, the number of vehicles entering to the project road toll stations but leaving from other expressways, and the number of vehicles passing through the project road but not entering to or leaving from the project road toll stations.
- (b) Weighted average daily section flow: the summation of the product of daily average section traffic flow and mileage of each section, and divided by the sum of the mileage.
- (1) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in 2018; completion of construction and re-opening of the national highway G105; and closure of the national highway G220 for construction;
- (2) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in January 2019;
- (3) Opening of the G22 Qingdao-Lanzhou Expressway Tai'an to Liaocheng Section, the Juye-Shanxian Expressway, the Jinan – Tai'an Expressway, the Qingdao-Liangshan Expressway Ningyang to Liangshan Section in 2020;
- (4) Opening of the Dezhou-Dong'e Expressway Gaotang to Dong'e Section, the Qingdao-Liangshan Expressway Xintai to Ningyang Section in 2021;
- (5) Major maintenance and repair works of the Jihe Expressway in 2022;
- (6) Opening of the Dezhou-Dong'e Expressway Dezhou to Gaotang Section in 2025;
- (7) Opening of the Qingdao-Liangshan Expressway Dongjiakou to Xintai Section, the Jinan Second Ring Road in 2030.

Table 5-3 Annual Toll Income Forecasts on the Jihe Expressway (Base Case)

<u>Year</u>	<u>Average Daily Toll Income (RMB)</u>	<u>Annual Toll Income (RMB10 Thousand)</u>	<u>Average Daily Toll Income Growth</u>
2018	2,947,104	107,569	—
2019	3,288,286	120,022	11.6%
2020	3,593,696	131,170	9.3%
2021	3,780,344	137,983	5.2%
2022	3,686,596	134,561	-2.5%
2023	4,193,984	153,080	13.8%
2024	4,405,903	161,256	5.1%
2025	4,444,585	162,227	0.9%
2026	4,640,270	169,370	4.4%
2027	4,835,582	176,499	4.2%
2028	5,022,165	183,811	3.9%
2029	5,179,177	189,040	3.1%
2030	5,481,995	200,093	5.8%
2031	5,604,266	204,556	2.2%
2032	5,721,477	209,406	2.1%
2033	5,793,192	211,452	1.3%
2034	5,855,973	213,743	1.1%

Source: Consultant, 2018

5.2 Sensitivity Test 1: Conservative Case

Based on the assumptions shown in Table 5-1, the forecasted traffic flow and toll income of the Jihe Expressway for the Conservative Case were shown in Table 5-4 and Table 5-5, respectively.

**Table 5-4 Average Daily Traffic flow on the Jihe Expressway (Conservative Case)
(Vehicles/Day)**

Year	Average Daily Traffic Flow ^(a)		Weighted Average Daily Section Flow ^(b)										
	Total	Growth	PV1	PV2	PV3	PV4	GV1	GV2	GV3	GV4	GV5	Total	Growth
2018 ⁽¹⁾	57,551	—	15,126	305	594	347	1,722	1,551	770	585	8,235	29,235	—
2019 ⁽²⁾	59,946	4.2%	15,920	320	622	365	1,731	1,581	795	740	9,499	31,573	8.0%
2020 ⁽³⁾	65,631	9.5%	17,449	352	675	398	1,875	1,713	840	821	10,324	34,447	9.1%
2021 ⁽⁴⁾	69,326	5.6%	18,539	374	719	424	1,945	1,781	873	855	10,721	36,231	5.2%
2022 ⁽⁵⁾	59,942	-13.5%	18,119	360	694	416	1,852	1,710	854	840	10,391	35,236	-2.7%
2023	77,030	28.5%	20,964	423	814	480	2,108	1,934	949	930	11,665	40,267	14.3%
2024	80,992	5.1%	22,240	448	863	510	2,188	2,009	986	967	12,127	42,338	5.1%
2025 ⁽⁶⁾	85,097	5.1%	22,871	465	911	529	2,149	1,973	982	951	12,097	42,928	1.4%
2026	88,947	4.5%	24,104	490	960	559	2,217	2,037	1,014	983	12,487	44,851	4.5%
2027	92,877	4.4%	25,382	516	1,011	589	2,285	2,102	1,045	1,015	12,891	46,836	4.4%
2028	96,835	4.3%	26,685	543	1,063	619	2,351	2,164	1,077	1,046	13,284	48,832	4.3%
2029	100,886	4.2%	28,008	570	1,116	650	2,415	2,224	1,107	1,075	13,661	50,826	4.1%
2030 ⁽⁷⁾	107,707	6.8%	30,183	610	1,184	696	2,584	2,397	1,176	1,150	14,206	54,186	6.6%
2031	111,365	3.4%	31,389	634	1,232	724	2,633	2,443	1,199	1,173	14,491	55,918	3.2%
2032	114,517	2.8%	32,438	655	1,274	750	2,664	2,475	1,216	1,189	14,700	57,361	2.6%
2033	117,638	2.7%	33,473	675	1,315	775	2,692	2,503	1,231	1,204	14,884	58,752	2.4%
2034	120,584	2.5%	34,438	695	1,353	799	2,711	2,525	1,243	1,216	15,038	60,018	2.2%

Source: Consultant, 2018

Notes:

- (a) The average daily traffic flow (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving from the project road toll stations, the number of vehicles entering to the project road toll stations but leaving from other expressways, and the number of vehicles passing through the project road but not entering to or leaving from the project road toll stations.
- (b) Weighted average daily section flow: the summation of the product of average daily section traffic flow and mileage of each section, and divided by the sum of the mileage.
- (1) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in 2018; completion of construction and re-opening of the national highway G105; and closure of the national highway G220 for construction;
- (2) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in January 2019;
- (3) Opening of the G22 Qingdao-Lanzhou Expressway Tai'an to Liaocheng Section, the Juye-Shanxian Expressway, the Jinan – Tai'an Expressway, the Qingdao-Liangshan Expressway Ningyang to Liangshan Section in 2020;
- (4) Opening of the Dezhou-Dong'e Expressway Gaotang to Dong'e Section, the Qingdao-Liangshan Expressway Xintai to Ningyang Section in 2021;
- (5) Major maintenance and repair works of the Jihe Expressway in 2022;
- (6) Opening of the Dezhou-Dong'e Expressway Dezhou to Gaotang Section in 2025;
- (7) Opening of the Qingdao-Liangshan Expressway Dongjiakou to Xintai Section, the Jinan Second Ring Road in 2030.

Table 5-5 Annual Toll Income Forecasts on the Jihe Expressway (Conservative Case)

<u>Year</u>	<u>Average Daily Toll Income (RMB)</u>	<u>Annual Toll Income (RMB10 Thousand)</u>	<u>Average Daily Toll Income Growth</u>
2018	2,931,993	107,018	—
2019	3,255,246	118,816	11.0%
2020	3,545,075	129,395	8.9%
2021	3,707,990	135,342	4.6%
2022	3,601,609	131,459	-2.9%
2023	4,082,312	149,004	13.3%
2024	4,271,023	156,319	4.6%
2025	4,298,833	156,907	0.7%
2026	4,468,193	163,089	3.9%
2027	4,642,951	169,468	3.9%
2028	4,816,803	176,295	3.7%
2029	4,988,005	182,062	3.6%
2030	5,267,695	192,271	5.6%
2031	5,410,136	197,470	2.7%
2032	5,524,076	202,181	2.1%
2033	5,631,472	205,549	1.9%
2034	5,726,995	209,035	1.7%

Source: Consultant, 2018

5.3 Sensitivity Test 2: Optimistic Case

Based on the assumptions shown in Table 5-1, the forecasted traffic flow and toll income of the Jihe Expressway for the Optimistic Case were shown in Table 5-6 and Table 5-7, respectively.

**Table 5-6 Average Daily Traffic flow on the Jihe Expressway (Optimistic Case)
(Vehicles/Day)**

Year	Average Daily Traffic Flow ^(a)		Weighted Average Daily Section Flow ^(b)										
	Total	Growth	PV1	PV2	PV3	PV4	GV1	GV2	GV3	GV4	GV5	Total	Growth
2018 ⁽¹⁾	58,114	—	15,263	307	599	351	1,740	1,568	779	591	8,325	29,523	—
2019 ⁽²⁾	61,099	5.1%	16,203	326	633	371	1,768	1,615	812	756	9,703	32,187	9.0%
2020 ⁽³⁾	67,467	10.4%	17,900	361	693	408	1,932	1,766	866	847	10,633	35,406	10.0%
2021 ⁽⁴⁾	71,859	6.5%	19,164	386	744	438	2,022	1,854	909	891	11,163	37,571	6.1%
2022 ⁽⁵⁾	62,620	-12.9%	18,865	375	723	433	1,943	1,795	897	883	10,918	36,832	-2.0%
2023	81,038	29.4%	21,977	443	853	504	2,228	2,047	1,004	985	12,355	42,396	15.1%
2024	85,792	5.9%	23,458	473	911	538	2,331	2,144	1,052	1,032	12,949	44,888	5.9%
2025 ⁽⁶⁾	90,709	5.7%	24,270	493	967	563	2,306	2,120	1,055	1,023	12,999	45,796	2.0%
2026	95,402	5.2%	25,726	523	1,025	597	2,395	2,205	1,097	1,066	13,534	48,168	5.2%
2027	100,093	4.9%	27,180	553	1,083	631	2,480	2,285	1,137	1,105	14,034	50,488	4.8%
2028	104,233	4.1%	28,503	580	1,136	663	2,546	2,348	1,169	1,137	14,419	52,501	4.0%
2029	108,353	4.0%	29,821	607	1,190	694	2,608	2,407	1,200	1,166	14,778	54,471	3.8%
2030 ⁽⁷⁾	115,479	6.6%	31,981	645	1,256	740	2,783	2,590	1,274	1,246	15,402	57,917	6.3%
2031	118,515	2.6%	32,964	665	1,296	765	2,812	2,620	1,289	1,262	15,593	59,266	2.3%
2032	120,985	2.1%	33,797	682	1,329	785	2,825	2,633	1,297	1,270	15,676	60,294	1.7%
2033	123,038	1.7%	34,532	697	1,359	802	2,822	2,630	1,298	1,271	15,665	61,076	1.3%
2034	124,630	1.3%	35,107	709	1,382	816	2,806	2,616	1,293	1,265	15,597	61,591	0.8%

Source: Consultant, 2018

Notes:

- (a) The average daily traffic flow (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving from the project road toll stations, the number of vehicles entering to the project road toll stations but leaving from other expressways, and the number of vehicles passing through the project road but not entering to or leaving from the project road toll stations.
- (b) Weighted average daily section flow: the summation of the product of average daily section traffic flow and mileage of each section, and divided by the sum of the mileage.
- (1) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in 2018; completion of construction and re-opening of the national highway G105; and closure of the national highway G220 for construction;
- (2) Trucks with five axles or above are restricted to drive through along the Jinan – Qingdao Expressway during its reconstruction period in January 2019;
- (3) Opening of the G22 Qingdao – Lanzhou Expressway Tai'an to Liaocheng Section, the Juye – Shanxian Expressway, the Jinan – Tai'an Expressway, the Qingdao – Liangshan Expressway Ningyang to Liangshan Section in 2020;
- (4) Opening of the Dezhou – Dong'e Expressway Gaotang to Dong'e Section, the Qingdao – Liangshan Expressway Xintai to Ningyang Section in 2021;
- (5) Major maintenance and repair works of the Jihe Expressway in 2022;
- (6) Opening of the Dezhou – Dong'e Expressway Dezhou to Gaotang Section in 2025;
- (7) Opening of the Qingdao – Liangshan Expressway Dongjiakou to Xintai Section, the Jinan Second Ring Road in 2030.

Table 5-7 Annual Toll Income Forecasts on the Jihe Expressway (Optimistic Case)

<u>Year</u>	<u>Average Daily Toll Income (RMB)</u>	<u>Annual Toll Income (RMB10 Thousand)</u>	<u>Average Daily Toll Income Growth</u>
2018	2,962,204	108,120	—
2019	3,321,623	121,239	12.1%
2020	3,647,362	133,129	9.8%
2021	3,852,159	140,604	5.6%
2022	3,773,498	137,733	-2.0%
2023	4,309,375	157,292	14.2%
2024	4,542,286	166,248	5.4%
2025	4,600,742	167,927	1.3%
2026	4,817,483	175,838	4.7%
2027	5,026,182	183,456	4.3%
2028	5,200,041	190,322	3.5%
2029	5,367,393	195,910	3.2%
2030	5,664,164	206,742	5.5%
2031	5,770,151	210,610	1.9%
2032	5,841,546	213,801	1.2%
2033	5,884,447	214,782	0.7%
2034	5,903,126	215,464	0.3%

Source: Consultant, 2018

6 CONCLUSION

The Jihe Expressway is the initial section of the G35 National Expressway, the Jinan — Guangzhou Expressway, and is also an important component of the Shandong 9-5-1-7 Expressway Network. It provides a fast, safe, convenient and economical passage between Jinan, the southwest region of Shandong Province and the eastern coastal areas. It will improve the traffic conditions and investment environment of these areas. Meanwhile, it improves the expressway network in Shandong Province by making full use of the overall function of the road network and strengthening the traffic and economic links among the cities/counties and the provincial capitals. It promotes the construction and completion of the national highway network.

The forecast results of the Base Case were summarised as follows:

- 1) From 2018 to 2034, the forecasted average daily traffic flow on the Jihe Expressway would increase from 29,380 vehicles/day in 2018 to 61,204 vehicles/day in 2034, representing a growth of 108%;
- 2) The forecasted annual toll income on the Jihe Expressway would increase from RMB1.0757 billion/year in 2018 to RMB2.1374 billion/year in 2034. From 2018 to 2034, the Jihe Expressway would generate a total toll income of RMB28.658 billion.

The study approach of this report of the Consultant included information collection, traffic survey data analysis, future traffic flow projections and toll income forecasts. Assumptions in the economic model and traffic flow forecasting model would take into account of historical economic and traffic flow data, economic growth patterns, transport development plans and the development projects in the vicinity areas of the Jihe Expressway. The traffic flow and toll income forecasts in this report of the Consultant were based on generally accepted procedures and practices in the industry. All reasonable and professional skills, judgment, care and due diligence have been exercised in the preparation of this report. However, there are uncertainties in the traffic flow and toll income forecasts for any toll roads due to various reasons. The forecasted results of this study and the actual conditions will have certain variations as the Consultant is unable to predict all possible changes. In addition, the traffic flow and toll income forecasts of this report mainly reflect the general traffic flow and toll income variations over the entire commissioned period of the Jihe Expressway. Discrepancies for certain particular year(s) may still be possible due to other factors. Despite extreme efforts were used by the Consultant to maintain technical excellence of the information provided, the Consultant cannot assure that the information provided are accurate and reliable, and accept no liability for any loss or damage arising from such information.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, MHKIE, MCILT

Project Director

For and on behalf of

WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 20 years of experience in various fields, including the transportation strategic planning, traffic engineering, traffic demand model, overall planning of traffic and transportation, as well as traffic and revenue forecasting of toll roads in Hong Kong, South Korea and the PRC.

This Appendix sets out summaries of certain aspects of PRC laws and regulations which are relevant to our Group's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

THE PRC LEGAL SYSTEM

The socialist system of laws with Chinese characteristics is an organic integration of the related laws of the Constitution, civil and commercial laws, administrative laws, economic laws, social laws, criminal laws, litigation and non-litigation procedural laws, and other legal branches, with the Constitution in the supreme place, the laws as the main body, and administrative and local regulations as the major components.

According to the Constitution and the Legislation Law of the PRC (中華人民共和國立法法) (the "**Legislation Law**"), the NPC and the Standing Committee of the National People's Congress (the "**Standing Committee of the NPC**") shall exercise the legislative power of the PRC. According to the Legislation Law, the NPC shall enact and amend the basic laws governing criminal and civil matters, state organs and other aspects. The Standing Committee of the NPC shall enact and amend laws other than those required to be enacted by the NPC, and may partially supplement and amend laws enacted by the NPC during the adjournment of the NPC, provided that the basic principles of such laws are not violated.

According to the Constitution, the State Council, that is, the Central People's Government, of the PRC is the executive body of the highest organ of state power; it is the highest organ of state administration. According to the Legislation Law, the State Council shall develop administrative regulations in accordance with the Constitution and laws. The people's congresses and their standing committees of provinces, autonomous regions and municipalities directly under the Central Government may enact local regulations, according to the specific circumstances and actual needs of the administrative region, provided that such local regulations do not contravene the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office as well as other the State Audit Administration, and other divisions with administrative functions directly under the State Council may, according to laws and the administrative regulations, decisions and orders of the State Council, formulate rules within their respective power. The people's congress and its standing committee of a districted city may enact local regulations on aspects such as urban and rural development and management, environmental protection, and historical culture protection, according to specific circumstances and actual needs, unless a law provides otherwise for the enactment of local regulations by a districted city. provided that such local regulations shall not contravene the constitution, laws, administrative regulations and the

local regulations of the province or autonomous region where the city is located. The people's congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities. The autonomous regulations and separate regulations enacted by an autonomous region shall come into effect upon approval by the Standing Committee of the NPC. The autonomous regulations and separate regulations enacted by an autonomous prefecture or autonomous county shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces, autonomous regions and municipalities directly under the Central Government. Certain provisions of laws and administrative regulations may be adapted according to the characteristics of local ethnicities in the autonomous regulations and separate regulations, provided that such local regulations do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to provisions in the Constitutions and the Law on Regional Ethnic Autonomy and specific provisions on ethnic autonomous areas contained in other relevant laws and administrative regulations. The people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and districted cities and autonomous prefectures may enact rules in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities directly under the Central Government.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations shall contravene the Constitution. The effect of laws shall be higher than that of administrative regulations, local regulations, and rules. The effect of administrative regulations shall be higher than that of local regulations and rules. The effect of local regulations shall be higher than that of the rules of the local governments at or below the corresponding level. The effect of the rules enacted by the people's governments of the provinces or autonomous regions shall be higher than that of the rules enacted by the people's governments of the districted cities and autonomous prefectures within the administrative areas of the provinces or the autonomous regions.

The NPC has the power to alter or annul the inappropriate laws enacted by its Standing Committee, and to annul the autonomous regulations or separate regulations which have been approved by its Standing Committee but contravene the Constitution or the provision of paragraph 2, of Article 75 of the Legislation Law. The Standing Committee of the NPC has the power to annul the administrative regulations, decisions and orders enacted by the State Council that contravene the Constitution and laws, to annul the local regulations that contravene the Constitution, laws or administrative regulations and to annul the autonomous regulations or separate regulations which have been approved by the standing committees of the people's congresses of provinces, autonomous regions or municipalities directly under the Central Government but contravene the Constitution or the provision of paragraph 2, of Article 75 of the Legislation Law. The State Council has the power to alter or annul any inappropriate departmental rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul the inappropriate

local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the same level. The people's governments of provinces and autonomous regions have the power to alter or annul the inappropriate rules enacted by the people's governments at the next lower level. The empowering authority shall have the power to annul regulations enacted by the empowered authority which beyond the scope of empowerment or contravene the purpose of empowerment, and when necessary, may annul the empowerment.

According to the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Ordinance on the Formulation Procedures for Administrative Regulations (2017 Version) (行政法規制定程序條例(2017修訂)) promulgated on 16 November 2001 and implemented on 1 January 2002, amended on 22 December 2017 and became effective on 1 May 2018, the State Council has the power to interpret the administrative regulations that require further definitions or supplementary provisions. According to the Ordinance on the Formulation Procedures for Rules (2017 Version) (規章制定程序條例(2017修訂)) promulgated on 16 November 2001 and implemented on 1 January 2002, amended on 22 December 2017 and became effective on 1 May 2018, the right of interpretation of rules is vested in the authorities which enacted such rules. According to the Resolutions of the Standing Committee of the National People's Congress on Improving Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed and implemented on 10 June 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give interpretation on questions involving the specific application of laws and decrees in court trials. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

THE PRC JUDICIAL SYSTEM

According to the Constitution, the PRC establishes the Supreme People's Court and the people's courts at various local levels, military courts and other special people's courts.

According to Organic Law of the People's Courts of the People's Republic of China (中華人民共和國人民法院組織法), The Supreme People's Court is the highest trial organ of the PRC and it supervises trials of the local people's courts and special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up criminal divisions, civil divisions and economic divisions, and people's tribunals may be set up according to the conditions of the locality, population and cases. The intermediate people's courts may set up criminal divisions, civil divisions and economic divisions, and may include other special divisions, where necessary. The structure and powers of special people's courts are prescribed separately by the Standing Committee of the NPC.

In the administration of justice, the people's courts adopt the system whereby the second instance is the last instance. A party may appeal against a judgment or verdict of a local people's court to the people's court at the next higher level. Judgments and verdicts of second instance of intermediate courts, higher people's courts and the Supreme People's Court and judgments and verdicts of first instance of the Supreme People's Court are all judgments and orders of last instance, that is, legally effective judgments and orders.

According to the Civil Procedure Law of the PRC (中華人民共和國民事訴訟法)(the "**Civil Procedure Law**") issued on 9 April 1991 and subsequently amended on 28 October 2007, 31 August 2012 and 27 June 2017, for all civil actions conducted within the territory of the People's Republic of China, the Civil Procedure Law must be complied with. Foreign individuals, stateless persons and foreign enterprises and organisations shall have the same procedural rights and obligations as the citizens, legal persons and other organisations of the PRC when initiating actions or defending against litigations at the people's courts. Where the judicial court of a foreign country limit the civil procedural rights of the citizens, legal persons and other organisations of the PRC, the people's courts of the PRC shall apply the same limitations to the citizens, enterprises and organisations of that foreign country. In general, a civil case instigated against a citizen shall be heard by a people's court located in the defendant's place of domicile, and the civil case instigated against legal persons or other organisations shall be heard by a people's court located in the defendant's place of domicile. The parties to disputes involving contracts or other property rights may also, by written agreement and subject to the provisions of this law on hierarchical jurisdiction and exclusive jurisdiction, select the people's courts whose locality have effective connection to the disputes, such as the defendant's place of domicile, the place of performance of the contract, the place of execution of the contract, the plaintiff's place of domicile or the place of the object of the action. All legally effective judgments and verdicts of a civil action shall be performed by all parties thereto. Where a party refuses to perform a binding judgment or verdict, the opposing party may apply to the people's court for enforcement. Alternatively, a judge may refer such judgment or verdict to an enforcement officer for enforcement. The time limit applicable to applications to enforce a judgment or verdict is two years.

When a party applies for enforcing an effective judgment or verdict by a people's court against a party who is not located within the PRC or whose property is not within the PRC, the party may apply to a foreign court with competent jurisdiction for recognition and enforcement of the judgment or verdict, or the people's court may, in accordance with relevant provisions of international treaties concluded or acceded to by the PRC or based on the principle of reciprocity, request recognition and enforcement by a foreign court. When a party applies for enforcing an effective arbitral award by a foreign affairs arbitration organ of the PRC against a party who is not located within the PRC or whose property is not within the PRC, the party shall apply directly to a foreign court with competent jurisdiction for recognition and enforcement of the judgment. When a party applies for enforcing an effective judgment or verdict by a foreign court which requires the recognition and enforcement of a people's court of the PRC, the party may apply directly to an intermediate people's court of the PRC with competent jurisdiction for recognition and enforcement of the judgment, or the foreign court may, in accordance with relevant

provisions of international treaties concluded or acceded to by such country and the PRC or based on the principle of reciprocity, request recognition and enforcement by a people's court. In the case of an application or request for recognition and enforcement of a legally effective judgment or verdict of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or based on the principle of reciprocity, and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC or violate its sovereignty, security or social and public interests, recognise the validity of the judgment or verdict, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations of this law. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognise and enforce it.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

The PRC Company Law was promulgated by the Standing Committee of the NPC on 29 December 1993, revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively.

The Special Regulations was promulgated by the State Council and came into effect on 4 August 1994.

The Mandatory Provisions was jointly promulgated by the former Securities Committee of the State Council and the former State Economic Restructuring Commission and came into effect on 27 August 1994.

Set out below is a summary of the principal provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

(i) General Provisions

A company is an enterprise legal person, which has independent legal person property and enjoys the right to legal person property. It shall bear the liabilities for its debts with all its property. For a joint stock limited company, a shareholder shall be liable for the company to the extent of the shares it has subscribed to.

A company may invest in other enterprises. However, unless it is otherwise provided for by any law, it shall not become a capital contributor that shall bear several and joint liabilities for the debts of the enterprises in which it invests.

(ii) Incorporation

A joint stock limited company may be established by ways of promotion or subscription, and by not less than two but not more than 200 Promoters, of whom half or more shall have a domicile within the territory of China. If State-owned enterprises or enterprises with State-owned property occupying the dominant position are to be converted into limited stock companies that will issue and list their stocks abroad in accordance with the relevant regulations of the PRC. These companies, if incorporated by promotion, may have less than five Promoters and may issue new shares once incorporated.

The PRC Company Law provides that the registered capital of a joint stock limited company incorporated by promotion shall be the total capital registered under the relevant company registration authorities and being subscribed for by all Promoters. Shares in the company shall not be offered to other persons until the share capital subscribed for by the Promoters has been paid up. Promoters shall subscribe in writing for the amount of shares as required and pay up their capital contributions according to the articles of association. For capital contribution made with non-monetary property, procedures relating to the transfer of property rights shall be duly completed according to the laws. For company established by subscription, the registered capital shall be the amount of its total paid-up capital as registered with the relevant company registration authorities. Shares subscribed by the Promoters shall not be less than 35% of the company's total number of shares, unless otherwise provided for by the laws and administrative regulations.

Pursuant to the Securities Law, the total amount of capital stock of a joint stock limited company that applies for listing of its shares on a stock exchange shall not be less than RMB30 million.

The Promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days in advance. The inaugural meeting may be convened only with the presence of Promoters or subscribers representing more than half of the total shares in our Company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers representing more than half of the votes of those attending the meeting. Within 30 days after the end of the inaugural meeting, the board of directors must apply to the registration authority for registration application. Joint stock limited companies incorporated by subscription with public offering of shares, the approval on the offering of shares issued by the securities administration department of the State Council shall also be filed with the company registration authority for record. The company is formally incorporated and has the status of a legal person upon obtaining the business license issued by the relevant registration authority.

A joint stock limited company's Promoters shall be liable for:

- (1) In the event of failure to establish the company, being jointly and severally liable for the debts and expenses incurred from the activities related to the company establishment;
- (2) In the event of failure to establish the company, being jointly and severally liable for refunding the subscribers with their paid capital plus the interests calculated according to the bank interest rate for the same period of time; and
- (3) If the company's interest is injured in the course of its establishment due to the negligence of the promoters, being liable for making compensations to the company.

According to the Provisional Regulations on the Administration of Share Issuance and Trading (股票發行與交易管理暫行條例) promulgated by the State Council on 22 April 1993 (which is only applicable to the issuance and trading of shares and relevant activities in the PRC), all Promoters or directors and the lead underwriter engaging in the issuance and trading of shares shall sign on the prospectus to guarantee that the prospectus is free from any false and material misleading statement or material omission, and they shall assume the joint liability thereof.

(iii) Share Capital

A company's shareholders may make capital contributions in cash, in kind or intellectual property rights, land use rights or other transferable non-monetary property based on their appraised value as permitted by the law, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-monetary property, a valuation and verification of the property contributed must be carried out without any overvaluation or undervaluation.

A company may issue shares in registered or non-registered form. Shares issued to the Promoters or legal persons must be in registered form, and shall be registered under the name of such Promoters or legal persons and shall not be registered under a different name or the name of a representative. According to the Special Regulations, the shares issued to overseas investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

According to the Special Regulations, in issuing foreign capital stocks listed abroad within the total amount fixed in the stock issue plan, it may, with the approval of the Securities Committee of the State Council, agree with the underwriter(s) in the underwriting agreement to reserve a certain amount of stocks apart from the amount underwritten but the amount reserved shall not exceed 15% of the total amount planned to be issued and listed abroad. The issue of the reserved shares is regarded as part of the same issue.

Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established stock exchange or in other ways stipulated by the State Council. Transfer of registered shares by a shareholder must be by means of an endorsement or by other means stipulated by the laws or administrative regulations. The name(s) and domicile(s) of the transferee(s) shall be entered into the register of shareholders. The transfer of a non-registered share takes effect as soon as the stockholder delivers the share to the transferee.

(iv) Increase of Share Capital

According to the PRC Company Law, when a company issues new shares, resolutions regarding the class, number and issuing price of the new shares, dates of commencement and end of the issuance, and the class and amount of new shares to be issued to the original shareholders shall be passed by its shareholders' general meeting. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus on the new shares and its financial report, and prepare the share subscription form. The company may make a pricing plan according to its business operations and financial conditions. After the new shares issued have been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

(v) Reduction of Share Capital

Reduction of registered capital of a company shall be approved by its shareholders' general meeting, and the company shall prepare a balance sheet and a property list. The company shall inform its creditors of the reduction in registered capital within ten days after the resolution approving the reduction has been passed and publish an announcement in the newspaper within 30 days. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to repay its debts or provide guarantees covering the debts. The company shall register the change with the relevant company registration authorities according to the law.

(vi) Repurchase of Shares

According to the PRC Company Law, a company may not repurchase its own shares other than for one of the following purposes:

- (1) to reduce its registered capital;
- (2) to merge with another company that holds its shares;
- (3) to award its shares to its employees;
- (4) to repurchase its shares from shareholders who are against the resolution regarding the merger or division of the company at a shareholders' general meeting.

The repurchase of shares by the company on the grounds set out in (1) to (3) above shall be subject to approval by way of a resolution passed by the shareholders' general meeting. Following the repurchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of repurchase in the case of (1) above, or transferred or cancelled within six months in the case of (2) or (4) above. Shares repurchased in the case of (3) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

(vii) Transfer of Shares

Shares held by shareholders may be transferred in accordance with the laws. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established stock exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholders' general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholders' general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares owned by Promoters shall not be transferred within one year from the date of incorporation of the company and shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and senior management of the company shall declare to the company regarding their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

(viii) Shareholders

Under the Mandatory Provisions, the rights of ordinary shareholders of a joint stock limited company include:

- (I) the right to receive dividends and other forms of benefit distribution in proportion to the number of shares held;
- (II) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- (III) the right to supervise the management of the business operation of the company and make recommendations or enquiries;
- (IV) the right to transfer shares in accordance with laws, administrative regulations and the articles of association;
- (V) the right to obtain a copy of the articles of association upon payment of cover costs, the right to inspect and copy upon payment of reasonable fees the register of shareholder, personal particulars of directors, supervisors, managers and other senior officers, status of the share capital of the company, reports showing the aggregate par value, the number and the highest and lowest price paid for the shares repurchased in respect of each class of shares of the company since the previous financial year and all the expenses paid by the company in this aspect and minutes of shareholders' general meetings;
- (VI) in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held;
- (VII) other rights granted by laws, administrative regulations and the articles of association.

In accordance with the Mandatory Provisions, the obligations of an ordinary shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, and any other obligations specified in the laws, administrative regulations and the company's articles of association.

(ix) Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. Under the PRC Company Law, the primary powers of the shareholders' general meeting include:

- to decide on the company's operational policies and investment plans;
- to elect and remove the directors and supervisors not assumed by staff representatives, and decide on matters related to the remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;
- to review and approve the company's annual financial budget and final accounts;
- to review and approve the company's profit distribution plans and loss recovery plans;

- to decide on any increase or reduction of the company's registered capital;
- to decide on issues such as merger, division, dissolution and liquidation of the company and change in its corporate form;
- to decide on the issue of bonds by the company;
- to amend the articles of association;
- other matters which are required by the articles of association.

Under the PRC Company Law, the shareholders' annual general meeting shall be held once every year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following:

- the number of directors falls below the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders, alone or in aggregate, holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests;
- other circumstances as provided for in the articles of association.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by half and more of directors shall preside over the meeting. In the event that the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In the event that the board of supervisors fails to convene and preside over such meeting, shareholders, alone or in aggregate, holding 10% or more of the company's shares for at least 90 consecutive days may initiatively convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, where a company convenes a shareholders' general meeting, a written notice specifying the matters to be considered and time and venue

of the meeting shall be delivered to all the registered shareholders 45 days in advance to the meeting. The written reply of shareholders wishing to attend the meeting shall be delivered to the company no later than 20 days before the meeting.

Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders to be present at the meeting reaches half of the company's total voting shares. Otherwise, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of a shareholders' general meeting and by shareholders of the affected class at a class meeting.

Pursuant to the Special Regulations and the Mandatory Provisions, where the company convenes an annual general meeting, shareholders holding more than 5% (including 5%) of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Pursuant to the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

(x) Board of Directors

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the employee representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws,

administrative regulations and articles of association until the newly elected director takes office if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene shareholders' general meetings and report its work to the shareholders' general meetings;
- to implement the resolutions passed by shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the company's internal management structure;
- to decide on the appointment and dismissal of the company's general manager and to determine his remuneration, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system;
- any other powers as conferred by the articles of association.

Under the PRC Company Law, the board of directors shall convene meetings at least twice a year and notify all directors and supervisors 10 days before the meetings. Shareholders representing 10% or more of voting rights, one-third or more of the directors or the supervisory committee may propose to convene an interim board meeting, the chairman of the board of directors shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote on the resolutions at the board meeting. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his

behalf. If a resolution of the board of directors violates the law, administrative regulations, the articles of association or resolutions of shareholders' general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or fails to perform his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or fails to perform his duties, a director nominated by half or more of the directors shall perform his duties.

The PRC Company Law provide that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;
- a person who is liable for a relatively large amount of debts that are overdue.

(xi) Supervisory committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of employees of the company, which shall not be less than one-third of the supervisors, and shall be stipulated in the articles of association. Representatives of employees of the company in

the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, general staff meeting or otherwise. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of half or more of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or fails to perform his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or fails to perform his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee. The directors and senior management may not act concurrently as supervisors.

The term of office of a supervisor for each session is three years, and he or she may serve consecutive terms upon re-election. If re-election is not conducted in a timely manner upon the expiry of the term of office of a supervisor, or if the resignation of supervisors results in member of the supervisory committee being less than the quorum, such supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a newly elected supervisor takes office.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the duty performance of directors and senior management, and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of shareholders' general meetings;
- to require correction of the acts of directors and senior management which are harmful to the company's interests;
- to propose the convening of extraordinary general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under the law;
- to make proposals at shareholders' general meeting;
- to initiate proceedings against directors and senior management pursuant to Article 151 of the PRC Company Law;
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist in their work at the company's expense.

(xii) Manager and Senior Management

Under the PRC Company Law, a company may have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to be in charge of the company's production, operational and management activities and organise the implementation of resolutions of the board of directors;
- to organise the implementation of the company's annual business plans and investment schemes;
- to draft plans for the establishment of the company's internal management structure;
- to formulate the basic management system of the company;
- to formulate specific rules and regulations of the company;
- to recommend the appointment or dismissal of deputy managers and financial officers;
- to appoint or dismiss other administrative officers (other than those required to be appointed or dismissed by the board of directors);
- other powers conferred by the board of directors.

Manager shall comply with other provisions of the articles of association concerning the manager's powers. The manager shall be in attendance at board meetings. Pursuant to the PRC Company Law, senior management shall mean the manager, deputy manager(s), financial officers, board secretary of a listed company and other personnel as stipulated in the articles of association. The senior management may not act concurrently as supervisors.

(xiii) Duties of Directors, Supervisors, Managers and Other Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors,

supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriating of company funds;
- depositing company funds into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without approval of the shareholders' general meeting or the board of directors;
- entering into contracts or transactions with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without approval of the shareholders' general meeting;
- accepting and possessing the commissions paid by a third party for transactions conducted with the company;
- unauthorised divulgence of confidential information of the company;
- other acts in violation of their fiduciary duties to the company.

A director, supervisor or senior management who contravenes any laws, administrative regulations or the company's articles of association in the performance of his duties shall be liable for compensation to the company.

(xiv) Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the finance department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by laws. The company's financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the finance department of the State Council.

Pursuant to the PRC Company Law, the financial and accounting reports of a joint stock limited company shall be made available for shareholders' inspection at the company at least 20 days prior to the convening of its annual general meeting. A joint stock limited company that offers its shares through public offering shall publish its financial and accounting reports.

When distributing after-tax profits of the current year, the company shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached more than 50% of its registered capital). If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits. The remaining after-tax profits after making up losses and allocation of reserve funds shall be distributed in proportion of shares held by the shareholders, unless otherwise stipulated in the articles of association. No profit shall be distributed in respect of the shares of the company held by itself.

The premium received through issuance of shares at prices above nominal value and other incomes required by the finance department of the State Council to be allocated to the capital reserve fund of a joint stock limited company shall be allocated to the company's capital reserve fund. Reserve funds shall be applied to make up losses of the company, expand its production and operation or be converted to increase the capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

(xv) Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the PRC to audit its annual report and review and check other financial reports of the company. A company shall provide relevant information and explanation in response to the enquiry raised by the

accounting firm engaged by it. The accounting firm's term of office shall commence from the conclusion of the annual general meeting of the current period until the end of the next annual general meeting of the company.

(xvi) Distribution of Profits

Pursuant to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed foreign shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed foreign shares.

(xvii) Amendments to Articles of Association

Under the Mandatory Provisions, a company may amend its articles of association in accordance with the laws, administrative regulations and the articles of association. Any amendment to the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorised by the State Council and the CSRC. In relation to matters involving the company's registration, its registration must also be changed in accordance with laws.

(xviii) Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved by reason of the following:

- (1) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (2) the shareholders' general meeting has resolved to dissolve the company;
- (3) the company is dissolved by reason of merger or division;
- (4) the business license is revoked or the company is ordered to close down or be dissolved according to laws;
- (5) the company is dissolved by the people's court in response to the request of shareholders representing 10% or more of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management which cannot be resolved through other means and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (1) above, the company may carry on its existence by amending its articles of association. The amendment to the articles of association of a joint stock limited company in accordance with provisions set out above shall require approval of shareholders representing two thirds or more of the voting rights of shareholders attending the shareholders' general meeting. Where the company is dissolved in the circumstances

described in sub-paragraphs (1), (2), (4), or (5) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group for liquidation. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and a list of assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to the liquidation;
- to pay any tax overdue as well as tax expenses arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off;
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days upon receipt of the notice, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim. Upon liquidation of properties and the preparation of the balance sheet and list of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation. The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. The company shall continue to exist during the liquidation period, although it can only engage in operating activities related to the liquidation. The company's properties shall not be distributed to the shareholders before payments are made in accordance to the foregoing provisions. Upon liquidation of the company's properties and the preparation of the balance sheet and list of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration for bankruptcy by the people's court, the liquidation group shall hand over affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report and submit to the shareholders' general meeting or the people's court for verification. The report shall then be submitted to company registration authorities in order to withdraw the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and fulfil their liquidation obligations in compliance with the relevant laws. Members of the liquidation group shall be prohibited from exploiting their powers to accept bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation group is liable for compensation in respect of any loss of the company and creditors arising from his willful or material default.

(xix) Overseas Listing

Pursuant to the Special Regulations, a joint stock limited company shall obtain the approval of the CSRC to list its shares overseas through private placement or public offering of shares to overseas investors. A company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issuance. The company may carry out the plan to issue overseas listed foreign shares and domestic shares separately according to the aforesaid provisions within 15 months upon approval from the CSRC.

(xx) Loss of Share Certificates

Under the Company Law, where any share certificate of registered shares is stolen, lost or misplaced, the shareholder may apply to the people's court to declare such share certificate to be invalid pursuant to the announcement procedure under the Civil Procedure Law. After the people's court has declared such share certificate to be invalid, the shareholder may apply to the company for a replacement share certificate. Pursuant to the Mandatory Provisions, in the event that a shareholder of overseas listed foreign shares loses his/her share certificate(s) and applies for issuing replacement, he/she should follow the procedures as required by the laws, regulations of the stock exchange or any other related rules in the place where the register of shareholders for such overseas listed foreign shares is kept. In the event that a shareholder of overseas listed foreign shares listed in Hong Kong loses his/her share certificate(s) and applies for issuing replacement, such issue shall be subject to the following conditions:

- (1) the applicant is required to lodge his/her application in standard form as specified by the company with a notarisation or a statutory declaration. A notarisation or a statutory declaration shall include the reasons of the application, the details and evidences for the loss of the share certificates, and the declaration to state that no other persons are entitled to be registered as shareholders of the same shares.
- (2) the company has not received, prior to the company's decision for the issue of replacement share certificates, any declaration from any person(s) other than the applicant to request to be registered as the shareholder of the same shares.

- (3) once the company decides to re-issue new share certificates to the applicant, a press announcement on the issue of the same shall be published on the newspaper specified by the board of directors. The announcement should be published at least once every 30 days during a period of 90 days.
- (4) the company is required, prior to the publication of the announcement on the re-issue of share certificates, to deliver to the stock exchange on which its shares are listed a copy of the same announcement. The announcement is allowed to be published once the company has received the confirmation of the stock exchange that the same has been shown on the stock exchange. The announcement should be posted on the stock exchange for 90 days. If the application for the re-issue of share certificates has not been approved by the registered shareholder of the same shares, the company shall send to such shareholder a copy of the announcement to be published.
- (5) if the company has not received any objection from any person in respect of the re-issue of share certificates upon the expiration of the 90-day period for the posting of the announcement as required in paragraphs (3) and (4) of this article, the company may re-issue share certificates according to the application of the applicant.
- (6) the company is required to cancel the original share certificates immediately once the new share certificates are issued, and enter the cancellation and the issue into the register of shareholders as required by this article.
- (7) the applicant shall bear all the cost incurred to the company relating to and in connection with the cancellation of the original share certificates and the re-issue of share certificates. The company has the right to refuse to take any action until reasonable guarantees have been provided by the applicant.

(xxi) Suspension and Termination of Listing

Pursuant to the Securities Law, the trading of shares of a listed company may be suspended if so decided by the stock exchange under any of the following circumstances:

- (1) the company fails to meet the listing requirements as a result of any change in its total share capital or shareholding distribution;
- (2) the company has failed to make public its financial position in accordance with the requirements or has any false information in its financial and accounting reports with the possibility of misleading investors;
- (3) the company has committed a major breach of the law;
- (4) the company has incurred losses for the last three consecutive years;
- (5) any other circumstances as required by the listing rules of the stock exchange(s).

The stock exchange shall decide to terminate the listing and trading of a listed company's shares if the company is under any of the following circumstances:

- (1) the company fails to meet the listing requirements as a result of any change in its total share capital or shareholding distribution, and fails to fulfill the listing requirements within the period as prescribed by the stock exchange;
- (2) the company fails to make public its financial position in accordance with the requirements or has any false information in its financial and accounting reports, and refuses to make any correction;
- (3) the company has incurred losses for the last three consecutive years and fails to make profits in the subsequent year;
- (4) the company is dissolved or is declared bankruptcy;
- (5) any other circumstances as required by the listing rules of the stock exchange(s).

The listing and trading of corporate bonds of a company may be suspended if so decided by the stock exchange under any of the following circumstances after the listing and trading of the company's corporate bonds:

- (1) the company has committed a major breach of the law;
- (2) the company fails to meet the listing requirements of corporate bonds as a result of any material change in the affairs of the company;
- (3) proceeds raised from the issuance of corporate bonds are not used for purposes as approved;
- (4) the company fails to perform its duties under the rules for issuance of corporate bonds;
- (5) the company has incurred losses for the last two consecutive years.

Where a company is under the circumstance as specified in (1) or (4) above which has been determined to be of serious consequences, or where a company is under the circumstance as specified in (2), (3) or (5) above and such circumstances have not been dispelled within the prescribed time limit, the stock exchange shall decide to terminate the listing and trading of the company's corporate bonds.

Where a company is dissolved or declared bankruptcy, the stock exchange shall terminate the listing and trading of its corporate bonds.

(xxii) Merger and Division

The merger of a company may take the form of merger by absorption or merger by new establishment. When a company absorbs another company, it is an absorption merger, and the company being absorbed shall be dissolved. When two or more companies merge to establish a new company, it is merger for new establishment, and all companies being merged shall be dissolved. When companies merge, the parties to a merger shall sign a merger agreement and formulate a balance sheet and a detailed list of assets. The companies shall inform their creditors of the intended merger within 10 days after the date on which the merger resolution is adopted, and make an announcement in newspapers within 30 days. The creditors shall have the right to claim full repayment of their debts or provision of corresponding guarantee from the companies within 30 days from the date of receipt of the notice or, within 45 days from the date of the press announcement for those who have not received the notice. When companies merge, the claims and debts of all parties to a merger shall be succeeded to by the absorbing company or the newly established company after the merger.

Where a company proceeds into a division, its assets shall be divided correspondingly. Where a company decides to divide itself, it shall formulate a balance sheet and a detailed list of assets and shall inform its creditors of the intended division within 10 days from the date on which the division resolution is adopted, and make an announcement in newspapers within 30 days. The companies formed after division shall bear joint and several liabilities for the debts existing before the division, except otherwise stipulated in the written agreement entered into between the company and its creditors in respect of settlement of debts before the division.

SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations relating to the issuance and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the execution arm of the Securities Committee and is responsible for drafting regulatory provisions of securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On 22 April 1993, the State Council promulgated the Provisional Regulations on the Administration of Share Issuance and Trading (股票發行與交易管理暫行條例), which deal with the application and approval procedures for public offering of shares, trading in

shares, acquisition of listed companies, deposit, clearing and transfer of listed shares, information disclosure, investigation and penalties with respect to listed companies and dispute settlement.

On 25 December 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestically Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations mainly deal with the issuance, subscription, trading and distribution of dividends and other distribution of domestically listed foreign shares and disclosure of information related to joint stock limited companies with domestically listed foreign shares.

The Securities Law was promulgated on 29 December 1998, took effect on 1 July 1999 and was subsequently amended on 28 August 2004, 27 October 2005, 29 June 2013 and 31 August 2014. It is the first national securities law in the PRC, and is divided into 12 chapters and 240 articles, regulating the issuance and trading of securities, takeovers by listed companies, stock exchanges, securities companies and securities regulatory authorities. The Securities Law comprehensively regulates all activities in the PRC securities market. Article 238 of the Securities Law provides that a domestic company must obtain the approval given by the State Council's securities regulatory authorities in accordance with the requirements of the State Council prior to the listing of its shares outside the PRC. Currently, the issuance and trading of foreign issued shares (including H shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the “**Arbitration Law**”) was passed on 31 August 1994, became effective on 1 September 1995 and was subsequently amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation of arbitration rules by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court shall not accept filing of suit from a single party to the arbitration agreement, except for invalid arbitration agreement.

Pursuant to the Mandatory Provisions, a company listed in Hong Kong shall include the following provisions in its articles of association:

- (1) Whenever any dispute or claim concerning the company's affairs arises from the rights and obligations conferred or imposed by the articles of association, the PRC Company Law and other relevant laws and administrative regulations between the holders of overseas listed foreign shares and the company, between the holders of overseas listed foreign shares and the company's directors, supervisors, manager or other senior management, and between the holders of overseas listed foreign shares and holders of domestic shares, the parties concerned shall resolve such dispute or claim through arbitration. Where a

dispute or claim described above is referred to arbitration, the entire claim or dispute shall be resolved through arbitration. All persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are corporations or shareholders, directors, supervisors, managers or other senior management of the company, shall be subject to the arbitration. Disputes in respect of the definition of shareholder and the register of shareholders need not be resolved by arbitration.

- (2) The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or by the HKIAC in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the HKIAC.
- (3) The laws of the PRC shall govern the arbitration of disputes or claims described in (1) above, unless otherwise provided by law or administrative regulations.
- (4) The award of the arbitral tribunal is final and conclusive, and shall be binding on the parties thereto.

Under the Arbitration Law and the Civil Procedure Law, once the arbitral award is made by a foreign affairs arbitral tribunal in the PRC, the concerned parties may not file litigation with the people's court. If a party fails to comply with an award made by the arbitral tribunal established according to laws, the other party to such award may apply to the people's court with competent jurisdiction for enforcement of the award. The people's court shall enforce the arbitral award upon receipt of the application. If the respondent is able to demonstrate with evidence that the arbitral award is under any of the following conditions, subject to the hearing and verification of the collegial panel of the people's court, the people's court shall refuse to enforce such award:

- (1) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration;
- (2) the matters dealt with by the award fall outside the scope of the arbitration agreement or are matters which the arbitral tribunal has no power to arbitrate;
- (3) the composition of the arbitration tribunal or the procedure for arbitration contradicts the procedure prescribed by the law;
- (4) the evidences based on which the arbitral award was made is falsified;

- (5) the other parties conceal the evidences from the arbitral tribunal which are sufficient to affect the impartiality of the arbitral award;
- (6) the arbitrators have committed embezzlement, accepted bribes or done malpractice for personal benefits or perverted the law in the arbitration of the case.

The award shall not be enforced if the people's court determines that the enforcement of the award is against the social and public interest. The ruling shall be sent to both parties and the arbitral tribunal. Where the arbitral award has been refused for enforcement by the people's court, the parties concerned may re-apply for arbitration in accordance with the mutual agreement for arbitration in writing, or initiate litigation at the people's court.

Under the Civil Procedure Law, when a party applies for enforcing a legally effective arbitral award made by a foreign affairs arbitral tribunal in the PRC against another party who is not located within the PRC or whose property is not within the PRC, the party shall directly apply to the foreign court with competent jurisdiction for recognition and enforcement of the award. A legally effective judgement or award made by a foreign court may also be recognised and enforced by the people's court in the PRC upon direct application to the intermediate people's court in the PRC with competent jurisdiction for recognition and enforcement, or request by the foreign court to the people's court for recognition and enforcement in accordance with the international treaty entered into or acceded to between the respective foreign country and the PRC or based on the principle of reciprocity.

The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "**New York Convention**") was executed on 10 June 1958 in New York and became effective on 7 June 1959. On 2 December 1986, the 18th Meeting of the Sixth Standing Committee of the NPC resolved on the accession of the PRC to the New York Convention. The instrument of accession of the PRC was deposited on 22 January 1987, and the New York Convention entered into force for the PRC on 22 April 1987. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public order of the state to which the request for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity, and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to be arisen from contractual and non-contractual mercantile legal relations.

Pursuant to the Arrangements of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排) adopted, promulgated and implemented on 18 June 1999, 24 January 2000 and 1 February

2000, respectively, arbitral awards made by PRC arbitral institutions under the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

HONG KONG LAWS AND REGULATIONS

Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(i) Corporate subsisting

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on March 1, 2014 has no provision on minimum registered capital of a joint stock company, except that laws, administrative regulations and the State Council decisions have separate provisions on paid-in registered capital and minimum registered capital, in which case the company should follow such provisions. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

(ii) Share capital

Under Hong Kong law, shares of a Hong Kong company has no nominal value and the directors may, with the prior approval of the shareholders if required, issue new shares of the company to the maximum number, if any, set out in its articles of association. The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC Governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorised by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares of a joint stock limited company, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. Furthermore, pursuant to the Several Provisions on the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《滬港股票市場交易互聯互通機制試點若干規定》), qualified mainland investors acquire specific overseas listed shares through mechanism of the Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, a Promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the Listing Date of the shares on a stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholder's disposal of shares, imposed by the undertakings given by our Company and our Controlling Shareholders to the Hong Kong Stock Exchange described in the section headed "Underwriting" in this Prospectus.

(iv) Financial assistance for acquisition of shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law which allows financial assistance to be given on the basis of a solvency test and relevant directors' and shareholders' resolutions.

(v) Variation of class rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarised in the appendix headed "Appendix VII — Summary of Articles of Association" to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class of shares at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of issued shares in the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

(vi) Directors

The PRC Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of interests in material contracts by a director, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as guarantees in respect of directors' liability and prohibition against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain requirements and restrictions in relation to the foregoing matters similar to those applicable under Hong Kong law.

(vii) Supervisory committee

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a Board of Supervisors which is required to be established for a joint stock limited company. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his rights or performance of his

obligations, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(viii) Derivative action by shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a shareholders' general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where directors and senior management violate laws, administrative regulations or provisions of the articles of association in performing duties of the company and result in losses of the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates laws, administrative regulations or provisions of the articles of association in performing duties of the company and result in losses of the company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under contingent circumstances, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against directors, supervisors and senior management who breach their duties to the company.

In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favour of the company acting as agent for the shareholders, allows minority shareholders to take action against directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory

Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets (including but not limited to any opportunities favourable to the company) or the individual rights of other shareholders (including but not limited to any distribution rights and voting rights, but excluding company reorganisation proposed at the shareholders' general meeting for approval pursuant to the articles of association).

(x) Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting of the joint stock limited company must be given not less than 20 days before the meeting, whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the shareholders' general meeting of the joint stock limited company must return the written reply slip for attending the meeting to the company at least 20 days before the date of the meeting. Under the Hong Kong company law, for a company incorporated in Hong Kong, the minimum period of notice is 21 days in case of an annual general meeting and 14 days in other cases.

(xi) Quorum for shareholders' meetings

Under Hong Kong company law, the quorum for a shareholders' general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that shareholders' general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if the number of shares represented by the shareholders who intend to attend the meeting is less than 50% of the total number of voting shares of the company, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong company law, an ordinary resolution is passed by a simple majority and a special resolution is passed by a majority of at least 75%. Under the PRC Company Law, the passing of any resolution at a shareholders' general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting except in cases of proposed amendments to a company's articles of association, increase or reduction of registered capital, merger, division or dissolution, or change of

company form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the shareholders' general meeting.

(xiii) Financial disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before the annual general meeting. A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, register of members, counterfoils of corporate bonds, minutes of the shareholders' general meetings, resolutions of board meetings, resolutions of Supervisory Committee meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

(xvi) Corporate reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change of company form of a joint stock limited company has to be approved by shareholders in the shareholders' general meeting, and shall obtain approval from the government regulatory authorities in accordance with relevant laws, administrative regulations and provisions of the statutes (if applicable).

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

(xviii) Mandatory transfers

Under the PRC Company Law, a joint stock limited company, in distributing profits after tax to the shareholders, is required to make transfers equivalent to certain prescribed percentages by law of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be liable to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of

the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

(xx) Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management of a company should be loyal and diligent. Under the Special Regulations, directors, supervisors and senior management shall fulfil their duties honestly and safeguard the interests of the company in accordance with the articles of association, and shall not take advantage of their positions and powers in the company to seek personal gains.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to our Company:

(i) Compliance adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its Listing Date up to the date of the publication of its financial results for the first full financial year commencing after the Listing Date. The compliance adviser should provide professional advice on continuous compliance with the Listing Rules

and all other applicable laws and regulations, and to act at all times, in addition to its two authorised representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountant's report

The accountant's report must normally be drawn up in conformity with: (a) HKFRSs; or (b) International Financial Reporting Standards; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

(iii) Process agent

A listed company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

(iv) Public shareholdings

If at any time there are issued securities of a PRC issuer other than foreign invested shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H Shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalisation at the time of listing of more than HK\$10 billion.

(v) Independent non-executive directors and supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Takeovers Code of Hong Kong and any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

(vii) Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the Supervisory Committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed "Appendix VII — Summary of Articles of Association" to this prospectus.

(viii) Redeemable shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

(ix) Pre-emptive rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at the shareholders' general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at the shareholders' general meetings) at separate

class meetings conducted in accordance with the articles of association, prior to authorising, allotting, issuing or granting shares or convertible securities, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by a special resolution in the shareholders' general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of our Company's plan at the time of its establishment to issue Domestic Shares and H shares, which is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

(x) Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of our Company on terms no less exacting than those of the Model Code (as set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a the shareholders' general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year in order for it to terminate the contract.

The nomination and remuneration committee or the independent board committee of the listed company must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

(xi) Amendment to the articles of association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

(xii) Documents for inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual report filed with the SAIC or other competent PRC authorities; and
- for shareholders only, copies of minutes of shareholders' general meetings.

(xiii) Receiving agents

Under the Laws of Hong Kong, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

(xiv) Statements in listing documents and share certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and the company agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and the company (acting both for itself and for each director, supervisor, manager and other senior management), agree with

each shareholder to refer all differences and claims arising from any rights or obligations conferred or imposed by the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorises the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

(xv) Compliance with the PRC Company Law, the Special Regulations and the articles of association

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

(xvi) Contract between the PRC issuer and directors, senior management and supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to the company to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Takeovers Code of Hong Kong and an agreement that the company must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to the company acting as an agent for each shareholder to observe and comply with his obligations to its shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any disputes or claims arise from any rights or obligations conferred or imposed by the contract, its articles of association, the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and the directors or senior management and between a holder of H shares and a director or senior management, such disputes or claims shall be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall

submit to the arbitral tribunal elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the HKIAC Securities Arbitration Rules. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral tribunal is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share registrar do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H shares are required to be in English, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

Other Legal and Regulatory Provisions

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Takeovers Code of Hong Kong and such other relevant ordinances and regulations will apply to a PRC issuer.

Securities arbitration rules

The HKIAC Securities Arbitration Rules contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong

Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Certain provisions of the Articles of Association of our Company are summarised as follows.

SUMMARY OF ARTICLES OF ASSOCIATION

Our Company is a joint stock company incorporated under the PRC Company Law with limited liability on 6 December 2016.

The Articles of Association include its constitutional documents.

This appendix contains the summary of the principal provisions of the Articles of Association of our Company passed on 15 June 2017 which will be applicable following the listing of our H Shares and come into effect on the date on which H Shares become listed on the Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association. The following information is only a summary, which does not contain all the information that is important to potential investors. As set out in the section headed “Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection”, the full text in Chinese of the Articles of Association is available for reference.

I. Directors and Board of Directors

1. *Power to allot and issue shares*

The Articles of Association does not contain any clauses that authorise the Board of Directors to allot or issue shares. The Board of Directors shall prepare proposals for share allotment or issue, which are subject to approval by the Shareholders at the Shareholders’ general meeting by way of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in the relevant laws and administrative regulations.

2. *Power to dispose assets of our Company or any of our subsidiaries*

In disposing of fixed assets, if the sum of the expected value of the fixed assets to be disposed of and the value of the consideration received from the fixed assets of our Company disposed of within the four months immediately preceding this proposal for disposal exceeds 33% of the value of fixed assets of our Company shown on the latest balance sheet reviewed at the Shareholders’ general meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of the shareholders at the Shareholders’ general meeting. The above disposal includes the transfer of interests in certain assets, but does not include the provision of guarantees secured by fixed assets. The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected due to any violation of the above restrictions contained in the Articles of Association.

3. Indemnification and compensation for loss of office

As provided in the contracts entered into between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the prior approval at the Shareholders' general meeting.

Aforesaid acquisition of our Company refers to any of the following:

- 1) An offer is made to all Shareholders; or
- 2) An offer is made such that the offeror will become the Controlling Shareholder of our Company (as defined in the Articles of Association).

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received by him shall belong to the party who sells the Shares for acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments on pro rata basis, and all related expenses shall not be deducted from the payments distributed.

4. Loans to Directors, Supervisors and other management

Our Company shall not directly or indirectly make a loan to or provide any loan guarantee to a Director, Supervisor, general manager and other senior management of our Company and our parent company or any of their related parties.

In the event that our Company provides loans in violation of the above requirement, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the terms of the loans. Any loan guarantee provided by our Company in violation of the above restriction shall not be enforced against us, unless under the following circumstances:

- 1) The lender unknowingly provides loans to a party related to the Directors, Supervisors, general manager and other senior management of our Company or our parent company; or
- 2) The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

The above provisions are not applicable to the following circumstances:

- 1) Our Company provides loans to its subsidiaries or loan guarantees in favour of its subsidiaries;
- 2) Our Company provides any of the Directors, Supervisors, general manager and other senior management with loans, loan guarantees or any other funds pursuant to the employment contract(s) approved at the Shareholders' general meeting to pay all expenses incurred for the purpose of our Company or performing duties for our Company; and

- 3) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, general manager or other senior management or other related personnel with loans or loan guarantees, provided that the conditions governing the above loans or loan guarantees shall be on normal commercial conditions.

For the purpose of the above, “guarantee” includes the assumption of liabilities and provision of properties by a guarantor to secure the performance of obligations by the obligor.

5. *Financial assistance provided for acquisition of the Shares of our Company or any of its subsidiaries*

Our Company or its subsidiaries shall not, by any means at any time, provide any financial assistance to any party who acquires or plans to acquire the Shares of our Company. The abovementioned party who acquires the Shares of our Company includes anyone who directly or indirectly assumes obligations from acquiring the Shares of our Company.

Our Company or its subsidiaries shall not, by any means at any time, provide financial assistance to personnel mentioned in the preceding paragraph for the purpose of mitigating or exempting the obligations of the above personnel.

The following acts shall not be subject to the above restrictions:

- (i) Our Company has provided such financial assistance in good faith and in the interest of our Company, and the main purpose of the financial assistance is not to acquire the Shares of our Company, or is incidental to a master plan of our Company;
- (ii) Lawful distribution of properties by our Company in the form of dividend;
- (iii) Distribution of dividends in the form of Shares;
- (iv) Reduction of registered capital, repurchase of Shares or adjustments of our shareholding structure pursuant to the Articles of Association;
- (v) Our Company grants loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in the reduction in the net assets of our Company, or even if the net assets are reduced, this financial assistance is paid out of the profit available for distribution of our Company; and
- (vi) Our Company provides the employee stock ownership plan with funds, provided that such loans shall not result in the reduction in the net assets of our Company, or even if the net assets are reduced, this financial assistance shall be paid out of the profit available for distribution of our Company.

- 1) “Financial assistance” includes, but is not limited to:
 - (i) Gift;
 - (ii) Guarantee (including the assumption of liabilities and provision of properties by a guarantor to secure the performance of obligations by the obligor), compensation (excluding compensation arising from mistakes of our Company) or release or waiver of any rights;
 - (iii) Provision of loans; or entering into a contract under which our Company is required to perform its obligations ahead of the other contracting parties; or the change of contracting parties of such loan or such contract or the assignment of rights arising thereunder; or
 - (iv) Any other form of financial assistance given by our Company when it is insolvent or has no net assets or will suffer significant decrease in net assets as a result of the financial assistance.
- 2) “Assuming obligations” includes assuming obligations by signing contracts or making arrangements (whether or not the contracts or arrangements are enforceable or assumed by itself or jointly with any other person) or changing its financial status in any other manner.

6. *Disclosure of matters relating to the contractual rights of our Company and voting on the contract(s)*

When any of the Directors, Supervisors, general manager and other senior management, directly or indirectly, has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into (except for employment contracts that our Company has entered into with the Directors, Supervisors, general manager and other senior management), they shall disclose the nature and degree of their interests to the Board of Directors as soon as possible regardless of whether such matters are subject to the approval of the Board of Directors in normal circumstances.

Unless the interested Director, Supervisor, general manager and other senior management of our Company disclose their interests to the Board in accordance with the aforesaid provision and such matter is approved by our Board at a meeting in which the interested Director, Supervisor, general manager and other senior management are not counted in the quorum and refrains from voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors, general manager and other senior management violating their obligations. A Director, Supervisor, general manager or senior management of our Company is deemed to be interested in such contract, transaction or arrangement in which his/her related person or associate is interested.

Where a Director, Supervisor, general manager or other senior management of our Company gives to the Board of Directors a notice in writing stating that, by reason of the facts specified in the notice, he/she is interested in contracts, transactions or arrangements which may subsequently be made by our Company, that notice shall be deemed for the purposes of the preceding article to be a sufficient disclosure of his/her interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

7. *Remuneration*

Our Company shall enter into written agreements with its Directors and Supervisors regarding their remuneration, which shall be subject to prior approval of the Shareholders' general meeting. The remuneration shall include:

- 1) Remuneration as the Directors, Supervisors or senior management of our Company;
- 2) Remuneration as the Directors, Supervisors or senior management of the subsidiaries of our Company;
- 3) Remuneration for providing other services for management of our Company and its subsidiaries;
- 4) Compensation received by the Directors or Supervisors as a result of loss of office or retirement.

Except for the above contracts, no Director or Supervisor shall institute any litigation against our Company over any interests payable related to the above issues.

8. *Resignation, appointment and removal*

None of the following persons shall serve as a Director, Supervisor, general manager or other senior management of our Company:

- 1) a person who is unable or has limited ability to undertake any civil liabilities;
- 2) a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of social economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- 3) a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- 4) a person who has been a legal representative of a company or enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;
- 5) a person who is liable for a relatively large amount of debts that are overdue;
- 6) a person who is under investigation by the judicial authorities due to contravention of criminal laws, and such investigation has not yet been finalised;
- 7) a person who is prohibited from acting as the leader of an enterprise by laws or administrative laws;
- 8) a person who is not a natural person;
- 9) a person who is convicted by the competent authorities of contravention of the provisions of relevant securities regulations involving fraud or dishonest act and not more than five years have lapsed since the date of such conviction;
- 10) a person who is still under pending prohibition imposed by the CSRC or other competent authorities from access to the securities market;
- 11) other circumstances as provided by the applicable laws and regulations.

The validity of the conduct of Directors, general manager and other senior management who have acted on behalf of our Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in their employment, election or qualification.

Our Company has a board of directors which is responsible for convening the Shareholders' general meeting. The Board of Directors consists of 12 Directors, including at least 3 independent non-executive Directors and 1 chairman of the Board. The number of independent non-executive Directors shall not be less than 1/3 of the number of Directors.

The chairman of the Board shall be elected or removed by the majority of all Directors. Any Director may be removed by an ordinary resolution at the general meeting before the expiry of his term of office.

The term of office of the chairman and other Directors shall be three years and they are eligible for re-election.

9. *Borrowing Power*

The Articles of Association does not include any special provision regarding the manner in which the Directors may exercise the right to obtain loans or the manner in which such a right is created, except 1) the provision regarding the power of the Directors to develop schemes for our Company to issue bonds, and 2) the provision that the bond issue must be approved by the Shareholders of our Company through a special resolution at the Shareholders' general meeting.

10. *Responsibilities*

The Directors, Supervisors, general manager and other senior management of our Company shall bear the responsibility of good faith in performing their duties. In the event of violation of obligations owed to our Company by the Directors, Supervisors, general manager and senior management, our Company has the right to take the following measures in addition to various rights and remedial measures stipulated in legal and administrative regulations:

- 1) To require related Directors, Supervisors, general manager and other senior management to compensate our Company for losses sustained as a result of their neglect of duty;
- 2) To rescind any contract or transaction entered into between our Company and related Directors, Supervisors, general manager and other senior management as well as any contract or transaction entered into between our Company and any third party when the third party knew or should have known that the Directors, Supervisors, general manager and other senior management acting violated their obligations owed to our Company;
- 3) To require the relevant Directors, Supervisors, general manager and other senior management to turn over the benefit obtained from the violation of their obligations;
- 4) To recover funds collected by the relevant Directors, Supervisors, general manager and other senior management that should have been collected for our Company, including but not limited to commissions;
- 5) To require the relevant Directors, Supervisors, general manager and other senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;
- 6) To initiate legal procedures to request a ruling that our Company shall have the ownership of the property possessed by Directors, Supervisors, general manager and other senior management for breach of obligation.

The Board of Directors shall comply with laws, administrative regulations, the Articles of Association and resolutions of the Shareholders' general meeting in performing its duties. When performing their responsibilities, the Directors, Supervisors, general manager and other senior management of our Company shall comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have assumed. This principle includes, but is not limited to, performing the following obligations:

- 1) To act honestly in the best interests of our Company;
- 2) To exercise one's rights within the scope of authority;
- 3) To exercise the discretion vested in him personally without being manipulated by others and not transferring discretionary powers to other persons, unless and to the extent permitted by laws or administrative regulations or with the informed consent of the Shareholders' general meeting;
- 4) To treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;
- 5) Not to enter into any contract, transaction or arrangement with our Company unless in line with the Articles of Association or otherwise approved at the Shareholders' general meeting on an informed basis;
- 6) Not to use properties of our Company in any manner for his/her own benefit without consent of the Shareholders' general meeting on an informed basis;
- 7) Not to exploit his/her position to accept bribes or other illegal income or misappropriate funds or expropriate properties of our Company by any means, including (but not limited to) opportunities beneficial to our Company;
- 8) Not to accept commissions in connection with transactions of our Company unless agreed by the Shareholders' general meeting on an informed basis;
- 9) To abide by the Articles of Association, faithfully execute official duties and protect interests of our Company, and not to exploit his/her position and authority in our Company for his/her own benefits;
- 10) Not to compete with our Company in any manner unless agreed by the Shareholders' general meeting on an informed basis;
- 11) Not to misappropriate funds of our Company or lend such funds to others, not to open accounts in his/her own name or other names for deposit of the assets of our Company; not to provide guarantee for the Shareholders of our Company or other individual(s) with the assets of our Company;

- 12) Not to disclose any confidential information acquired by him/her during his/her tenure in respect of our Company, unless otherwise permitted by the Shareholders' general meeting on an informed basis; not to use such information unless in the interests of our Company; however, disclosure of such information to courts or other governmental authorities is permitted under the following circumstances: (A) disclosure is required by laws; (B) disclosure is required by public interests; or (C) disclosure is required by the interests of the Director, Supervisor, general manager and other senior management.

None of the Directors, Supervisors, general manager or other senior management of our Company shall instruct any of the following personnel or institutions ("**related person**") to do acts that the Directors, Supervisors, general manager and other senior management are prohibited from doing:

- 1) Spouses or minor children of the Directors, Supervisors, general manager and other senior management of our Company;
- 2) Trustees of the Directors, Supervisors, general manager and other senior management of our Company or the persons referred to in item 1) above;
- 3) Partners of the Directors, Supervisors, general manager and other senior management of our Company or persons referred to in items 1) and 2) above;
- 4) Companies under de facto control by the Directors, Supervisors, general manager and other senior management of our Company individually or jointly with one or more persons referred to in items 1), 2) and 3) above or any other Directors, Supervisors, general manager or other senior management of our Company; or
- 5) The Directors, Supervisors, general manager and other senior management of the controlled company referred to in item 4) above.

The good faith obligation owed by the Directors, Supervisors, general manager and other senior management of our Company may not necessarily terminate upon the expiration of their terms of office; their obligations to keep the trade secrets of our Company in confidence shall survive upon the expiration of their terms of office. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Liabilities of the Directors, Supervisors, general manager and other senior management of our Company arising from violation of specific duties may be released by the Shareholders' general meeting on an informed basis, unless otherwise provided in the Articles of Association.

Apart from the obligations required by the laws, administrative regulations or the listing rules of the stock exchange where the Shares of our Company are listed, the Directors, Supervisors, general manager and other senior management of our Company shall assume the following obligations to each of the Shareholders when exercising their authorities conferred by our Company:

- 1) They may not cause our Company to operate beyond the scope of business indicated on our business license;
- 2) They shall act honestly in the best interests of our Company;
- 3) They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company;
- 4) They may not deprive the Shareholders of personal rights and interests, including, but not limited to, the distribution right and voting right, except for restructuring of our Company submitted to the Shareholders' general meeting for approval pursuant to the provisions of the Articles of Association.

Each of the Directors, Supervisors, general manager and other senior management of Company owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

II. Modification of the Articles of Association

Our Company may amend the Articles of Association based on the requirements of the relevant laws, administrative regulations and the Articles of Association.

Our Company shall amend these Articles of Association in any of the following circumstances:

- 1) the provisions under the Articles of Association are in contradiction with the revised laws or administrative rules upon the amendments to the Company Law or the applicable laws or administrative rules;
- 2) our Company's conditions have changed, and such change is inconsistent with these Articles of Association;
- 3) the Shareholders' general meeting has resolved to amend these Articles of Association.

III. Change in Rights of Existing Shares or Class of Shares

Our Company shall not change or abolish any rights attached to any class of shares, unless approved by a special resolution and with the approval of a separate general meeting as convened by the affected class Shareholders in accordance with the Articles of Association.

The rights of a class Shareholder shall be deemed as changed or abolished under any of the following circumstances:

- 1) Increasing or reducing the number of such class of Shares, or increasing or reducing the number of such class of Shares with equal or more voting or distribution rights and other privileges than such class of Shares;
- 2) Converting all or part of such class of Shares into Shares of other classes or converting all or part of another class of Shares into such class of Shares or granting such conversion right;
- 3) Cancelling or reducing rights to dividends generated or rights to cumulative dividends attached to such class of Shares;
- 4) Reducing or removing the right attached to such class of Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;
- 5) Increasing, cancelling or reducing share conversion rights, options, voting rights, transfer or pre-emptive rights, rights to acquire securities of our Company attached to such class of Shares;
- 6) Cancelling or reducing rights to receive payment by our Company in specified currencies attached to such class of Shares;
- 7) Creating new class of Shares having voting or distribution rights, or other privileges equal or superior to those of such class of Shares;
- 8) Imposing restrictions on the transfer or ownership of such class of Shares or increase such restrictions;
- 9) Issuing subscription or conversion rights for such or other class of Shares;
- 10) Increasing the rights and privileges of other class of Shares;
- 11) The reorganisation plan of our Company may constitute assumption of responsibilities by different classes of Shareholders disproportionately in a reorganisation;
- 12) Amending or abolishing clauses stipulated in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at the Shareholders' general meeting, shall nevertheless have the right to vote at class meetings in respect of matters concerning items 2) to 8), 11) and 12) above, however the interested Shareholders (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class meeting shall be passed by votes of more than two-thirds of Shareholders attending the relevant class meeting with voting rights at such meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the class Shareholders in the share register of the matters to be considered at the meeting and the date and place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

If the number of Shares carrying voting rights at the class meeting represented by the Shareholders who intend to attend the class meeting reaches more than half of the aggregate Shares of such class carrying voting rights at the meeting, our Company may hold the class meeting; if not, our Company shall within five days notify the Shareholders of such class again by public notice, of the matters to be considered at the meeting and the date and place for the class meeting. Our Company may then convene the class meeting after publication of such notice. Notice of class meetings needs only to be served on Shareholders who are entitled to vote at the meetings.

Class meetings shall be conducted in procedures as similar as possible to those of Shareholders' general meetings. The provisions of our Articles of Association relating to the procedure for conducting Shareholders' general meeting shall apply to any class meeting.

Except for holders of other classes of Shares, holders of Domestic Shares and overseas listed foreign shares are deemed to be Shareholders of different classes.

The special procedures for voting by class Shareholders shall not apply under the following circumstances:

- 1) Upon the approval by a special resolution at the Shareholders' general meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign shares every 12 months, and the number of Shares of each class to be issued shall not exceed 20% of the outstanding Shares of such class;
- 2) The plan to issue Domestic Shares and overseas listed foreign shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council and other competent authorities;
- 3) Upon the approval by the securities regulatory agency of the State Council and other competent authorities, the Domestic Shares are transferred by the holders to overseas investors and become listed for trading on an overseas stock exchange.

For the purposes of the provisions relating to the rights of class Shares, “interested Shareholders” shall have the following meanings:

- 1) if a repurchase offer is made to all Shareholders in the same proportion or Shares are repurchased on stock exchanges through open transaction, they shall mean the Controlling Shareholder(s) as defined in the Articles of Association;
- 2) if Shares are repurchased by an agreement other than on stock exchanges, they shall mean the Shareholders involved in the agreement;
- 3) under a restructuring proposal of our Company, they shall mean shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest that is different from the interest of other shareholders of the same class.

IV. Special Resolutions — Requires Majority Vote

Resolutions of the Shareholders’ general meetings are divided into ordinary resolutions and special resolutions.

Adoption of an ordinary resolution at a Shareholders’ general meeting shall be subject to approval by more than half of votes represented by the Shareholders (including their proxies) with voting rights attending the meeting.

Adoption of a special resolution at Shareholders’ general meeting shall be subject to approval by more than two-thirds of votes represented by the Shareholders (including their proxies) with voting rights attending the meeting.

V. Voting Rights (Generally Relating to Rights on Poll or Rights to Demand a Poll)

The ordinary Shareholders of our Company have the right to attend or appoint a proxy to attend and exercise their voting rights at the Shareholders’ general meeting. A Shareholder (including a proxy) when voting at a Shareholders’ general meeting may exercise voting rights in accordance with the number of Shares with voting power held on the basis of one vote for each share.

Any vote of Shareholders at a Shareholders’ general meeting shall be taken by registered poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On a poll taken at a Shareholders’ general meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all of his/her votes in the same way.

If there is an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

VI. Requirements on Shareholders' General Meetings

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the Board. The annual general meeting shall be convened once a year and be held within six months of the end of the previous accounting year.

VII. Accounting and Audit**1. Financial and accounting systems**

Our Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and the PRC accounting standards promulgated by financial supervisory departments of the PRC.

The Board of our Company shall place before the Shareholders at every annual general meeting such financial reports prepared by our Company as required by the laws, administrative regulations and directives promulgated by competent regional and governmental authorities.

Apart from the PRC accounting standards and regulations, the financial statements of our Company shall also conform to international accounting standards and the accounting standards of overseas areas where our Company's Shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the above accounting standards, explanations and notes, must be provided in the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two sets of financial statements, whichever is lower shall prevail.

Financial reports of our Company shall be made available for Shareholders' inspection at our Company 20 days before the date of an annual general meeting. Each Shareholder shall be entitled to a copy of the financial reports.

Our Company shall deliver or send to each holder of overseas listed foreign shares by prepaid mail at the address registered in the register of Shareholders a copy of the financial report together with a balance sheet (including all documents required by law to be annexed thereto) and a profit or loss account or income and expenditure statement, or the summarised financial report, not later than 21 days before the date of the Shareholders' general meeting.

Any interim results or financial information published or disclosed by our Company must be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the place overseas where our Company's Shares are listed.

Our Company published financial reports twice every fiscal year, i.e. publishing interim financial reports within 60 days at the end of the first 6 months of a fiscal year and publishing annual financial report within 120 days after the end of a fiscal year.

Our Company shall not keep accounts other than those required by law. Our Company's assets are not deposited in an account opened in the name of any individuals.

2. *Appointment and dismissal of accountants*

Our Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit our Company's annual financial report and review other financial reports of our Company.

Our Company's first accounting firm can be appointed at an inauguration assembly before the first annual general meeting, and the term of service of the firm will terminate at the end of the first annual general meeting.

When the inauguration assembly of our Company does not exercise its power stipulated by the foregoing provision, the Board of Director will exercise this power.

The accounting firm appointed by our Company shall have the following rights:

- 1) a right to access the account books, records or vouchers at any time, and to ask Directors, general managers or other senior management of our Company to provide relevant documents and explanations;
- 2) a right to require our Company to take all reasonable actions to obtain from its subsidiaries any information and explanations necessary for the discharge of its duties;
- 3) a right to be present at a Shareholders' general meeting and to receive notices of, and information relating to, any Shareholders' general meeting which any shareholder is entitled to receive, and to speak at any Shareholders' general meeting for matters in relation to its capacity as our Company's accounting firm.

The Shareholders in a Shareholders' general meeting may by ordinary resolution remove the accounting firm before the expiration of its term of office, irrespective of the provisions in the contract between the accounting firm and our Company. The right of the accounting firm in claiming for damages which arise from its removal shall not be affected thereby.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined at the Shareholder's general meeting. The remuneration of an accounting firm appointed by the Board of Directors shall be determined by the Board of Directors.

Prior notice should be given to the accounting firm in advance if our Company decides to remove or not to renew appointment of such accounting firm. Such accounting firm shall be entitled to make representations at the Shareholder's general meeting.

Where the accounting firm resigns from its position, it shall make clear to the Shareholders in a Shareholder's general meeting whether there has been any impropriety on the part of our Company.

An accounting firm may resign its office by depositing at our Company's domicile a resignation notice. Such resignation notice shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- 1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of our Company; or
- 2) a statement of any such circumstances.

Where a written notice is deposited under the foregoing paragraph, our Company shall within 14 days send a copy of the notice to the competent authority. If the notice contained a written statement made by the leaving accounting firm, our Company shall deposit a copy of such statement in our Company for examination by the Shareholders. Our Company shall also send a copy of such statement by prepaid mail to each Shareholder who is entitled to receive the financial statement of our Company.

Where the accounting firm's notice of resignation contains a statement as referred in the above paragraph 2), it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

VIII. Notice and Schedule of the Shareholders' General Meeting

Our Company shall not enter into any contract with any person other than a Director, Supervisor, general manager and other senior management of our Company whereby the management and administration of the whole or any substantial part of any business of our Company is to be handed over to such person without prior approval a Shareholders' general meeting.

Shareholders' general meetings can be divided to annual general meetings or extraordinary general meetings. The Board shall convene an extraordinary general meeting within two months after the occurrence of any one of the following circumstances:

- 1) where the number of Directors is less than the number stipulated in our Company Law or is no more than two-thirds of the number required by the Articles of Association;
- 2) where the unrecovered losses of our Company amount to one-third of its total share capital;

- 3) where Shareholders severally or jointly holding 10% or more of our Company's outstanding and issued shares with voting rights make a request in writing to convene an extraordinary general meeting;
- 4) where the Board considers it necessary or the Supervisory Committee proposes to call for such a meeting;
- 5) other circumstances stipulated by laws, administrative regulations, departmental rules and regulations, or the Articles of Association.

When convening a Shareholders' general meeting, our Company shall send a written notice to inform all registered Shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened. Shareholders planning to attend shall send to our Company a written reply to that effect 20 days before the meeting is held.

At our Company's Shareholders' general meeting, the Board, Supervisors and Shareholders individually or jointly holding 3% or more Shares are entitled to submit new written proposals to our Company. At a Shareholders' general meeting of our Company, Shareholders individually or jointly holding 3% or more Shares are entitled to submit provisional written proposals to our Board. The Board shall issue a notice informing other Shareholders within 2 days from the date of receipt of such proposal.

Our Company shall calculate the number of Shares with voting power represented by the Shareholders planning to attend in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of Shares with voting power represented by the Shareholders planning to attend reaches more than half of our total number of Shares with voting power, our Company may convene the Shareholders' general meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement. After the notification of the announcement, our Company may convene the Shareholders' general meeting.

The extraordinary general meeting shall not resolve on matters that have not been clearly stated in the notice.

The notice of the Shareholders' general meeting shall meet the following requirements:

- 1) it shall be in writing form;
- 2) it shall specify the venue, date and time of the meeting;
- 3) it shall specify the matters and proposals to be deliberated at the meeting;
- 4) it shall specify the record date for determining the shareholders who are entitled to attend the Shareholders' general meeting;

- 5) it shall provide to the Shareholders of materials and explanations necessary for the Shareholders to make sound decisions about the matters to be deliberated. This means, but not limited to, the provision of the detailed conditions and contract(s), if any, of the proposed transaction(s) and proper explanations about related causes and effects when our Company proposes merger(s), repurchase of Shares, restructuring of stock capital or other restructuring;
- 6) in the event that any of the Directors, Supervisors, general manager and other senior management has material interests at stake in matters to be deliberated, the nature and extent of the interests at stake shall be disclosed. If the matters to be deliberated affect the Director, Supervisor, general manager or other senior management as a Shareholder in a manner different from how they affect other Shareholders of the same type, the difference shall be explained;
- 7) it shall include the full text of any special resolution to be proposed and passed at the meeting;
- 8) it shall include a clear explanation that the Shareholders entitled to attend and vote are entitled to appoint one or more shareholders' proxy to attend and vote at the meeting on his/her behalf and that such may not necessarily be Shareholders;
- 9) it shall specify delivery time and place of the power of attorney for proxy voting of the meeting;
- 10) the names and telephone numbers of the standing contact persons for the meeting shall be stated.

The notice of the Shareholders' general meeting shall be sent in person or by prepaid mail, to the Shareholders regardless of whether Shareholders have the right to vote at the Shareholders' general meeting, and each recipient's address shall be according to the address indicated on the register of Shareholders. Subject to the laws, administrative rules and listing rules of the place where our Company's Shares are listed, our Company may serve or provide the notice of the Shareholders' general meeting in the form of a public announcement (including an announcement via the website of our Company) or by other applicable ways. For holders of Domestic Shares, the notice of our Shareholders' general meeting may also be given in the form of an announcement. The notice of the Shareholders' general meeting shall be published in one or more newspapers designated by the securities regulatory agency of the State Council 45 to 50 days prior to the meeting. All holders of Domestic Shares shall be deemed to have received the notice of the Shareholders' general meeting upon the publication of the announcement.

The following matters shall be approved by the Shareholders' general meeting through ordinary resolutions:

- 1) work reports of the Board and the Supervisory Committee;
- 2) plans formulated by the Board for the distribution of profits and for making up losses;

- 3) appointment or removal of members of the Board and Supervisory Committee who are not employee representative Supervisors, and their remuneration and manner of payment thereof;
- 4) annual preliminary, final budgets, balance sheets, income and other financial statements of our Company;
- 5) annual report of our Company;
- 6) appointment, renewal or remove of accounting firm;
- 7) operation policy and investment plan of our Company;
- 8) matters other than those required by the laws, administrative regulations, listing rules of the stock exchange on which our Company's Shares are listed or the Articles of Association to be passed by special resolutions.

The following matters shall be resolved by a special resolution at the Shareholders' general meeting:

- 1) the increase or reduction of our Company's share capital, repurchase of our Shares and issue of Shares of any class, warrants and other similar securities;
- 2) the issue of bonds or other securities of our Company;
- 3) division, merger, dissolution and liquidation of our Company or change in form of our Company;
- 4) the amendment to the Articles of Association of our Company;
- 5) share option incentive plans;
- 6) the purchase or disposal of material assets by our Company within one year with an amount exceeding 30% of the latest audited total assets of our Company;
- 7) external guarantee provided by our Company which shall be subject to the approval of the Shareholders' general meeting pursuant to item 13 of Clause 1 under Article 61 of the Articles of Associations as well as the applicable laws and regulations;
- 8) matters relating to the execution, revision or termination of an expressway concession agreement entered into by our Company and its subsidiaries with the competent traffic authorities;
- 9) connected transactions which shall be subject to the approval of the Shareholders' general meeting pursuant to the laws, regulations and the listing rules of the place where our Shares are listed;

- 10) any other matters as required by the laws, administrative regulations or the Articles of Association of our Company and matters which, if resolved by way of an ordinary resolution at a Shareholders' general meeting, will have a material impact on our Company and needed to be adopted by way of special resolutions.

IX. Transfer of Shares

Subject to the approval of the securities regulatory authority of the State Council and other competent authorities, holders of our Domestic Shares may transfer their Shares to overseas investors, and such Shares may be listed and traded overseas. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements applicable to the overseas securities market. The listing of the transferred Shares on an overseas stock exchange does not require a voting at class meeting.

The Shares of our Company held by the Promoters may not be transferred within one (1) year of our establishment.

The Directors, Supervisors and senior management of our Company shall report to our Company their shareholdings in our Company and any changes thereof. They shall not transfer more than 25% of the total number of Shares of our Company held by them each year during their term of office, and may not transfer any of the Shares of our Company held by them within 1 year commencing from the date when the Shares of our Company are listed for trading. The above personnel may not transfer the Shares of our Company held by them within six months after resignation.

X. Our Company's Right to Purchase its Own Shares

Under the following circumstances, our Company may follow the legal procedures to repurchase its issued Shares after completing the formalities set out in the Articles of Association and obtaining the approval of the competent authorities:

- 1) cancellation of Shares for the purpose of reducing the registered capital of our Company;
- 2) merging with another company that holds Shares in our Company;
- 3) awarding of Shares to the employees of our Company;
- 4) upon request made by the Shareholders to our Company for the acquisition of their Shares due to their objection to the resolution made at a Shareholders' general meeting on our Company's merger or division; or
- 5) other circumstances permitted by laws, regulations and the securities regulatory authority of the place where our Company is listed.

The Shares repurchased by our Company according to clause 1), 2) and 4) of the preceding paragraph shall be transferred or cancelled within the period prescribed by laws and administrative regulations, for which our Company shall apply to the original company registration authority to register the change in registered capital and make an announcement accordingly. The Shares repurchased by our Company according to clause 3) of the preceding paragraph shall not exceed 5% of its total issued Shares and shall be transferred to its employees within 1 year. The money used for purchasing shall be paid from the profit after tax of our Company.

Our Company may repurchase Shares in one of the following ways with the approval of the competent authorities:

- 1) by making an offer for the repurchase to all its Shareholders on a pro rata basis;
- 2) by the repurchase through public dealing on a stock exchange;
- 3) by the repurchase outside of a stock exchange by means of an off-market agreement;
- 4) by other means as approved by laws, regulations and the securities regulatory authority of the place where our Company is listed.

In order to repurchase Shares outside a stock exchange by means of an off-market agreement, our Company shall obtain a prior approval of the Shareholders' general meeting in accordance with the Articles of Association. Our Company may, by obtaining the prior approval of the Shareholders in a Shareholders' general meeting (in the same manner), rescind or vary any contract which has been so entered into or waive any right set out therein. A contract for the repurchase of Shares referred to in the preceding paragraph includes (but is not limited to) agreements on consent to the obligations of repurchase Shares or acquiring of the right to repurchase Shares.

Our Company shall not assign any contract for the repurchase of its Shares or any right set out therein.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding Shares:

- 1) where our Company repurchases Shares at par value, payment shall be made out of the book balance on distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose;

- 2) where our Company repurchases Shares at a price higher than its par value, payment equivalent to the par value shall be made out of the book balance on distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - a) if our Shares being repurchased were issued at par value, payment shall be made out of the book balance on distributable profits of our Company;
 - b) if our Shares being repurchased were issued at a price higher than its par value, payment shall be made out of the book balance on distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received from the issue of the old Shares repurchased nor shall it exceed the amount of our Company's premium account or capital reserve fund account (inclusive of the premiums from the new issue) at the time of the repurchase;
- 3) our Company shall make the following payments out of our Company's distributable profits:
 - a) payment for the acquisition of rights to repurchase its Shares;
 - b) payment for the variation of any contract to repurchase its Shares;
 - c) payment for the release of its obligation under any repurchase contract;
- 4) after our Company's registered capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount reduced from distributable profits for the repurchase of partial par value of Shares shall be recorded into our Company's premium account or capital reserve fund account.

Where our Company has the rights to repurchase redeemable Shares: in case of a repurchase made other than through market or by tender, the price shall not exceed the prescribed maximum price; in case of a repurchase by tender, the tenders shall be made available to all Shareholders with the same conditions.

XI. There are no Provisions in the Articles of Association Preventing Shareholding of any of the Subsidiaries of our Company

XII. Dividend and Other Methods of Distribution

Our Company may distribute dividend in the form of cash or shares.

Any amount paid upon any Shares before a call is made shall bear interest thereon. However, the Shareholder is not entitled to participate in any dividends declared subsequently in respect of the advance payment for Shares.

Our Company shall appoint receiving agents for holders of overseas listed foreign shares. The receiving agents shall be trust companies registered under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and shall collect on behalf of the relevant Shareholders the dividends distributed and other amounts payable by our Company in respect of the overseas listed foreign shares.

The dividends and other amounts payable by our Company to the holders of Domestic Shares shall be denominated and declared in Renminbi and paid in Renminbi within three months from the date the dividends are declared. The cash dividends and other amounts payable by our Company to the holders of overseas listed foreign shares shall be denominated and declared in Renminbi and paid in foreign currency within three months from the date the dividends are declared. The exchange rate shall be calculated at the average central parity price of the exchange rates of such foreign currency against Renminbi published by the PBOC of the five working days before the distribution of dividends or other amounts. The foreign currency to be paid by our Company to the holders of overseas listed foreign shares shall be handled in accordance with relevant provisions concerning the foreign exchange administration of the government.

XIII. Proxies of Shareholders

Any Shareholder entitled to attend and vote at a Shareholders' general meeting of our Company shall be entitled to appoint one or more persons (who need not be a Shareholder or Shareholders) as his/her proxy or proxies to attend and vote at the Shareholders' general meetings. The proxy so appointed may exercise the following rights pursuant to the authorisation of that Shareholder:

- 1) the Shareholders' right to speak at the Shareholders' general meeting;
- 2) the right to demand or join in demanding a poll;
- 3) except as otherwise required by the applicable securities listing and trading rules or other securities laws and regulations, the right to vote by a show of hands or by poll, but when more than one proxy is appointed, the proxies may only vote by poll.

The appointment of a proxy by a Shareholder shall be in writing and signed by the appointer or his/her attorney duly entrusted in writing, or in the case of the appointer is a legal person or other organisation, shall be either affixed with the seal of the legal person or other organisation or signed by its Director or a duly authorised attorney.

The instrument appointing a proxy for voting shall be deposited at our Company's domicile or at some other place specified in the notice of meeting no later than 24 hours prior to the meeting at which the proxy is authorised to vote or 24 hours before the time specified for the voting. Where such an instrument is signed by a person under power of

attorney on behalf of the appointer, that power of attorney or other authorisation documents shall be notarially certified. The notarially certified power of attorney and other authorisation documents shall, together with the instrument appointing the proxy, be deposited at our Company's domicile or at some other place specified in the notice of meeting.

If the appointer is a legal person or other organisation, its legal representative or a person appointed by a resolution of its board or other decision-making body shall be entitled to attend a Shareholders' general meeting of our Company on behalf of the appointer as the representative.

If the Shareholder is a recognised clearing house (or an agent thereof), it may appoint one or more individuals that it deems suitable to act as its representative(s) at any Shareholders' general meeting or any class shareholders' meeting; however, if more than one individuals are appointed as representatives, their powers of attorney shall specify the number and class of shares involved in the appointment of each such individual. The individual(s) so appointed may exercise the rights of the recognised clearing house (or its agent) as if he, she or they was or were (an) individual shareholder(s) of our Company.

Any proxy form issued to a Shareholder by the Board for appointing proxy shall be in a format which enables the Shareholder, according to his/her will, to instruct the proxy to vote for or against or abstain from voting on each resolution dealing with business to be transacted at the meeting, respectively. Such form should contain a statement that in default of instructions the proxy may vote as he/she thinks fit.

A vote given by proxy in accordance with the instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given before the voting, provided that no notice in writing of the above matters shall have been received by our Company before the commencement of the meeting.

XIV. Capital Calls and Confiscation of Shares

Any amount paid upon any Shares before a call is made shall bear interest thereon. However, the Shareholder is not entitled to participate in any dividends declared subsequently in respect of the advance payment for Shares.

Subject to the relevant PRC laws, regulations and the provisions of the Hong Kong Stock Exchange, our Company may exercise the right to forfeit unclaimed dividends, but that power shall not be exercised until the expiration of the applicable period.

XV. Inspecting the Register and Other Rights of the Shareholders

Our Company shall keep a register of Shareholders.

Our Company may, in accordance with the mutual understanding and agreements between the competent authorities such as the securities regulatory authority of the State Council and overseas securities regulatory organisations, maintain the original register of holders of overseas listed foreign shares overseas and appoint overseas agents to manage such register of Shareholders.

The original register of holders of overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong. A copy of register of holders of foreign shares shall be maintained at our Company's domicile. The appointed overseas agents shall ensure consistency between the original register of holders and the copy of register of holders of overseas listed foreign shares at all times.

If there is any inconsistency between the original register of holders and the copy of register of holders of overseas listed foreign shares, the original one shall prevail.

Our Company shall keep a complete register of Shareholders.

The register of Shareholders shall include the followings:

- 1) the register of Shareholders maintained at our Company's domicile other than those described in items 2) and 3) below;
- 2) the register of holders of overseas listed foreign shares of our Company maintained at the place of the overseas securities exchange on which our Company is listed;
- 3) the register of Shareholders maintained at such other place as our Board of Directors may consider necessary for the purpose of listing of our Shares.

Different parts of the register of Shareholders shall not overlap with one another. No transfer of Shares registered in any part of the register shall, during the existence of that registration, be registered in other parts of the register of Shareholders.

Alteration or rectification of each part of the register of Shareholders shall be made in accordance with laws of the place where that part of the register of Shareholders is maintained.

No change of the register of Shareholders due to transfer of Shares shall be effected within 30 days prior to the convening of a shareholders' general meeting or within 5 days before the record date set by our Company for the purpose of distribution of dividends. This clause is not applicable to the change of the register of Shareholders due to the issue of new shares by our Company.

When our Company intends to convene a Shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the Board shall designate a day to be the record date. Shareholders whose names appear in the register of Shareholders at the end of the record date are Shareholders of our Company.

Any person who objects to the register of Shareholders and requests to have his/her name (title) entered in or removed from the register of Shareholders may apply to a court of competent jurisdiction for rectification of the register of Shareholders.

Shareholders shall have the right to obtain relevant information, including, but not limited to:

- 1) a copy of the Articles of Association, subject to payment of costs;
- 2) the right to inspect and copy, subject to payment of a reasonable fee:
 - a) all the registers of Shareholders;
 - b) personal particulars of each of our Company's Directors, Supervisors, general manager and other senior management;
 - c) our Company's share capital;
 - d) the latest audited financial statements of our Company, and reports of the Board, auditors and Supervisory Committee;
 - e) the special resolutions of the Shareholders' general meeting;
 - f) the aggregate par value, quantity, the highest price and lowest price of each class of Shares repurchased by our Company since the prior financial year, and the report on all the costs paid by our Company for such purpose;
 - g) the copy of the latest annual return filed with the State Administration for Industry and Commerce of the PRC or other competent authority;
 - h) minutes of the Shareholders' general meetings (for inspection by Shareholders only).

Our Company shall keep the documents in items a) to h) (except item b)) above and other applicable documents at our Company's domicile in Hong Kong in accordance with the Listing Rules for inspection by the public and holders of overseas listed foreign shares for free.

XVI. Quorum of Shareholders' General Meetings

If the number of Shares carrying voting rights represented by the Shareholders intending to attend a meeting exceeds one half of the total number of Shares of our Company carrying voting rights, our Company may convene a Shareholders' general meeting.

XVII.Minority Shareholders' Rights in Case of a Fraud or Oppression

In addition to the obligations required by laws, administrative regulations or the listing rules of the stock exchange on which our Company's Shares are listed, when exercising his/her right of a Shareholder, the Controlling Shareholder may not exercise his/her voting rights to make any decision on the following matters which may be prejudicial to the interests of all or part of the Shareholders:

- 1) to remove the responsibilities of a Director and Supervisor to act honestly in the best interests of our Company;
- 2) to approve the expropriation by a Director and Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of our Company's assets, including (but not limited to) opportunities beneficial to our Company;
- 3) to approve the expropriation by a Director and Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights and interests of other Shareholders, including (but not limited to) any distribution rights and voting rights, but excluding the restructuring of our Company submitted to the Shareholders' general meeting for approval in accordance with the Articles of Association.

XVIII.Process of Dissolution and Liquidation

Our Company shall be dissolved and liquidated according to laws in the event of any of the following circumstances:

- 1) the term of operation has expired;
- 2) The Shareholders' general meeting has resolved to dissolve our Company;
- 3) Our Company is dissolved by reason of merger or division;
- 4) Our Company is declared bankrupt in accordance with laws due to its failure to repay debts due;
- 5) Our Company's business license is revoked or it is ordered to close down or be dissolved according to laws;
- 6) Shareholders representing more than 10% of the voting rights of all its Shareholders, may claim for dissolving our Company at the people's court on the grounds that our Company suffers significant hardships in its operation and management which cannot be resolved through other means and the ongoing existence of our Company would bring significant losses for Shareholders;
- 7) other circumstances as required by laws and regulations under which our Company shall be dissolved.

If the Board decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board shall state in the notice of the Shareholders' general meeting convened for this purpose that the Board has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

Upon passing of the resolution by Shareholders in the Shareholders' general meeting for the liquidation, all duties and powers of the Board of our Company shall terminate immediately.

The liquidation group shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the group's incomes and expenses, the businesses of our Company and the progress of the liquidation and to present a final report to the Shareholders' general meeting on the completion of the liquidation.

The liquidation group shall notify creditors within 10 days after its establishment, and issue announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation group within 30 days upon receipt of the notice, or within 45 days of the public notice if he did not receive any notification. The liquidation group shall register such creditor rights according to laws. The liquidation group shall not make any debt settlement to creditors during the period of claim.

The liquidation group shall exercise the following powers during the liquidation period:

- 1) to handle our Company's assets and to prepare a balance sheet and a list of assets;
- 2) to notify creditors through notice or public announcement;
- 3) to deal with our Company's outstanding businesses related to the liquidation;
- 4) to pay any tax overdue as well as tax expenses arising from the process of liquidation;
- 5) to claim credits and pay off debts;
- 6) to handle our Company's remaining assets after its debts have been paid off;
- 7) to represent our Company in civil lawsuits.

Upon liquidation of our Company's properties and the preparation of the balance sheet and list of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or competent authorities for confirmation.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report, a statement of incomes and expenses during the liquidation period and a financial account to be submitted to the Shareholders' general meeting or competent authorities for confirmation after verified by a Chinese certified public accountant.

The liquidation group shall, within 30 days after the confirmation by the Shareholders' general meeting or the competent authorities, submit the documents referred to in the preceding paragraph to company registration authorities and apply for withdrawal of registration of our Company, and publish a public announcement of the termination of our Company.

XIX. Other Important Provisions for our Company or the Shareholders

1. *General provisions*

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other enterprises. However, our Company shall not be a capital contributor bearing several and joint liabilities for the debts of the enterprises invested, except otherwise specified by laws.

The Articles of Association shall be, with effect from its effective date, taken as the instrument with binding effect in governing our Company's organisation and corporate behavior, the rights and obligations between our Company and Shareholders and among Shareholders. Subject to the relevant provisions under the Articles of Association, Shareholders may bring a suit against our Company in accordance with the Articles of Association, and our Company may also bring a suit against any of its Shareholders, Directors, Supervisors, general manager or other senior management in accordance with the Articles of Association. Shareholders may also bring a suit against other Shareholders in accordance with the Articles of Association. Shareholders may bring a law suit against any of the Directors, Supervisors, general manager and other senior management of our Company according to the Articles of Association. The aforementioned suits include prosecutions brought to the court and to the arbitration institution for arbitration.

2. *Shares and transfers*

Foreign investors mentioned to in the Article of Association refer to those investors from foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by our Company; domestic investors mentioned in the preceding paragraph refer to those investors within the territory of the People's Republic of China (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by our Company.

Our Company may increase its capital by the following means:

- 1) To offer new Shares to unspecified investors;
- 2) To place new Shares to particular investors and/or existing Shareholders;
- 3) To issue new Shares to existing Shareholders;
- 4) To convert the reserves into share capital;
- 5) Any other ways permitted by laws, administrative regulations and relevant securities regulatory authority under the State Council and other competent authorities.

Our Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations of the State.

When our Company reduces its registered capital, it shall prepare a balance sheet and a list of assets.

Subject to the approval of the securities regulatory authority of the State Council and other competent authorities, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded overseas. Any listing or trading of the transferred shares on an overseas stock exchange, shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

3. Shareholders

A Shareholder of our Company is a person who lawfully holds the Shares and has his/her/its name recorded on the register of Shareholders.

A Shareholder enjoys rights and undertakes obligations according to the class and number of Shares he/she/it holds. Shareholders' of the same class enjoy the same rights and undertake the same obligations.

The ordinary Shareholder of our Company shall enjoy the following rights:

- 1) the right to receive dividends and other forms of benefit distribution in proportion to the number of shares held;
- 2) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- 3) the right to supervise the management of the business operation of our Company and make recommendations or enquiries;

- 4) the right to transfer Shares in accordance with laws, administrative regulations and the Articles of Association;
- 5) to obtain relevant information in accordance with the Articles of Association;
- 6) to participate in the distribution of the remaining assets of our Company in proportion to the number of Shares held upon our termination or liquidation;
- 7) other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company shall not exercise any of its rights to freeze or otherwise impair the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

Share certificates of our Company shall be in registered form.

Share certificates of our Company shall be signed by the Chairman of the Board of our Company. Where the stock exchanges on which Shares are listed require the share certificates to be signed by other senior management of our Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed with our Company's seal or a machine-imprinted seal of our Company provided that such seal shall only be affixed with the authority of the Board. The signatures of the Chairman of the Board or other senior management of our Company on the Share certificates may also be printed in mechanical form.

Any person who is a Shareholder registered on the register of Shareholders or who requests to have the name of him/her/an entity entered into the register of Shareholders may, if his/her/the entity's share certificate (the "**original share certificate**") is lost, apply to our Company for a replacement new share certificate in respect of such shares (the "**Relevant Shares**").

In the event that a Shareholder of Domestic Shares loses his/her share certificate(s) and applies for issuing replacement, it shall be dealt with in accordance with relevant provisions of the Company Law.

In the event that a Shareholder of overseas listed foreign shares loses his/her share certificate(s) and applies for issuing replacement, he/she should follow the procedures as required by the laws, regulations of the stock exchange or any other related rules in the place where the register of Shareholders for such overseas listed foreign shares is kept.

In the event that a Shareholder of overseas listed foreign shares listed in Hong Kong loses his/her share certificate(s) and applies for issuing replacement, such issue shall be subject to the following conditions:

- 1) The applicant is required to lodge his/her application in standard form as specified by our Company with a notarisation or a statutory declaration. A notarisation or a statutory declaration shall include the reasons of the application, the details and evidences for the loss of the share certificates, and the declaration to state that no other persons are entitled to be registered as Shareholders of the Relevant Shares.
- 2) Our Company has not received, prior to our Company's decision for the issue of replacement share certificates, any declaration from any person(s) other than the applicant to request to be registered as the Shareholder of the same shares.
- 3) Once our Company decides to re-issue new share certificates to the applicant, a press announcement on the issue of the same shall be published on the newspaper specified by the Board. The announcement should be published at least once every 30 days during an announcement period of 90 days.
- 4) Our Company is required, prior to the publication of the announcement on the re-issue of new share certificates, to deliver to the stock exchange on which its Shares are listed a copy of the same announcement. The announcement is allowed to be published once our Company has received the confirmation of the stock exchange that the same has been shown on the stock exchange. The announcement should be posted on the stock exchange for 90 days.

If the application for the re-issue of share certificates has not been approved by the registered Shareholder of the Relevant Shares, our Company shall send to such Shareholder a copy of the announcement to be published.

- 5) If our Company has not received any objection from any person in respect of the re-issue of new share certificates upon the expiration of the 90-day period for the posting of the announcement as required in above items 3) and 4), our Company may re-issue new share certificates according to the application of the applicant.
- 6) Our Company is required to cancel the original share certificates immediately once the new share certificates are issued, and enter the cancellation and the issue into the register of Shareholders as required by this article.
- 7) The applicant shall bear all the cost incurred to our Company relating to and in connection with the cancellation of the original share certificates and the re-issue of new share certificates. Our Company has the right to refuse to take any action until reasonable guarantees have been provided by the applicant.

4. *Shareholders untraceable*

Our Company may exercise power to cease sending dividend warrants by post to a holder of foreign shares listed overseas only when such warrants have not been cashed twice consecutively. However, such power may be exercised after the first occasion on which such a warrant is returned as undelivered.

Our Company is entitled to sell, in such manner as the Board thinks fit, shares of a holder of foreign shares listed overseas who is untraceable, subject to and conditional upon:

- 1) During a period of 12 years dividends in respect of the shares in question have become payable at least three times and no dividend during that period has been claimed;
- 2) Our Company shall, upon the expiry of the 12 years, give notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the shares' listed stock exchange of the intention to sell the shares.

5. *The Board*

The Board shall be accountable to the Shareholders' general meeting, and shall exercise the following functions and powers:

- 1) To convene the Shareholders' general meeting, and report on its work at the Shareholders' general meeting;
- 2) To implement the resolutions of the Shareholders' general meeting;
- 3) To decide on our Company's operating plans, investment plans, detailed annual operating objectives, and financing plans other than issuance of corporate bonds or other securities and listing;
- 4) To formulate our Company's proposed annual financial budget and final accounts;
- 5) To formulate our Company's profit distribution plan and plan for making up for losses;
- 6) To formulate proposals for the increase or reduction of our Company's registered capital, and plans for the issuance of corporate bonds or other securities and the listing plan;
- 7) To draw up plans for material acquisition, purchase of our Company's shares, or merger, demerger, dissolution or change of the form of our Company;

- 8) To decide on the establishment of our Company's internal management organisation, to determine the establishment or cancellation of our Company's branches and other affiliates;
- 9) To elect our Company's chairman of the Board, appoint or remove the general manager;
- 10) To appoint or remove secretary of the Board pursuant to the Board chairman's nominations, and to appoint or remove members of the special committees under the Board and to determine the abovementioned matters relating to the remuneration, incentives and punishments of such members;
- 11) To appoint or remove the vice general manager, chief financial officer, chief economic manager, chief general engineer pursuant to the general manager nominations and to decide salaries, incentives and punishments of the abovementioned staff;
- 12) To formulate our Company's basic management system;
- 13) To propose plans for the amendment to the Articles of Association of our Company;
- 14) To formulate the equity incentive plan of our Company;
- 15) To manage information disclosure of our Company;
- 16) To decide the establishment of special committees;
- 17) To decide the risk management system of our Company, including risk valuation, financial control, internal audit, legal risk control, and implement surveillance on such matters;
- 18) To propose at the Shareholders' general meetings for the appointment, or replacement of accounting firm conducting auditing for our Company;
- 19) To listen to the work report regularly and irregularly of the general manager or other senior management of our Company entrusted by the general manager and approve the work report by the general manager;
- 20) To consider the advice on standards, collection methods and adjustments of expressway toll rates proposed by the general manager of our Company;
- 21) To make guarantees save as otherwise required to be decided by the Shareholders' general meetings under the Articles;

- 22) Within the authorisation by the Shareholders' general meeting and in accordance with the listing rules of the place where our Shares are listed, to make decisions on investments, acquisition or sale of assets, mortgage or pledge of assets, entrusted financial management, connected transaction and other matters;
- 23) To exercise other functions and powers as granted by the laws, regulations, provisions under the listing rules of the place where our Shares are listed, the Shareholders' general meetings or the Articles.

In resolving the above matters by the Board, except for matters specified in items 6), 7) and 13) which shall be passed by more than two-thirds of the Directors, other aforesaid matters shall be passed by a simple majority of all Directors. The Board shall perform its duties pursuant to the PRC laws, administrative rules, the Articles and the resolution of Shareholders. In the event that a Director is connected to companies associated with matters to be resolved at the Board meeting (i.e. serving as director or senior management of the counterparty, or serving as director or senior management of a corporation directly or indirectly controlling or under the control of the counterparty), such Director may not exercise his or her voting rights on such resolution, nor shall he or she votes on behalf of other uninterested Directors at the Board meeting. The Board meeting may be held when more than half of the uninterested Directors attend the meeting. Resolutions shall be passed by more than half of the uninterested Directors. Where there are less than three uninterested Directors present at the Board meeting, such matters shall be submitted to the Shareholders' general meeting for consideration.

Board meetings shall be held regularly at least four times every year, approximately once a quarter, and shall be convened by the chairman of the Board. Notice of the Board meeting shall be given to all Directors 14 days prior to the convening of the meeting.

If a Director is unable to attend a Board meeting, he/she may appoint another Director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall set out the name of the proxy, the subject and scope of authorisation and the validity period of the power of attorney and shall be signed or officially sealed by the principal.

Directors attending meetings shall exercise their powers as Directors within their scope of authorisation. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his/her rights to vote at that meeting.

Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board must be passed by more than half of all the Directors.

6. *Independent Directors*

Our Company shall have a Board. The Board shall have one chairman and 12 Directors, including at least 3 independent non-executive Directors and the number of independent non-executive Directors shall be no less than one-third of all Directors. The Board shall have at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise and at least one independent non-executive Director has to be an ordinary resident in Hong Kong.

7. *Secretary of the Board*

Our Company shall have one secretary of the Board. The secretary of the Board is a member of the senior management of our Company and shall be accountable to the Board. The secretary of the Board of our Company shall be a natural person with the requisite professional knowledge and experience, and shall be appointed or removed by the Board.

8. *Supervisory Committee*

Our Company shall have a Supervisory Committee.

The Supervisory Committee shall be composed of 8 members, including 2 independent Supervisors and 3 employee Supervisors.

The Supervisory Committee shall have one chairman. The election or removal of the chairman of the Supervisory Committee shall be decided by more than two-thirds (inclusive) of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

Directors, the general manager and other senior management of our Company shall not concurrently act as Supervisors. The Supervisory Committee shall be accountable to the Shareholders' general meeting and perform the obligations to exercise the following functions and powers:

- 1) To review our Company's finance position;
- 2) To supervise the duty performance of Directors and senior management, and to propose the removal of Directors and senior management who have violated laws, administrative rules, the Articles or resolutions of Shareholders' general meetings;
- 3) To require Directors, general manager and senior management of our Company to make corrections if their conduct has damaged the interests of our Company;

- 4) To check the financial reports, operational reports, profits distribution plans and other financial materials of our Company prepared by the Board of Directors before submitting to the Shareholders' general meeting, and, when in doubt, it may appoint a registered accountant or certified auditor in the name of our Company to review such information;
- 5) To propose the convening of extraordinary general meetings and to convene and preside over the Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the Shareholders' general meeting;
- 6) To make proposals at the Shareholders' general meeting;
- 7) To negotiate with Directors and senior management representing our Company and initiate proceedings against Directors and senior management;
- 8) To propose the convening of extraordinary Board meetings;
- 9) Other powers specified in the Articles.

The Supervisors shall present at the Board meeting.

9. *General manager*

Our Company shall have one general manager, and four vice general managers who shall assist the work of the general manager, all of whom shall be appointed and removed by the Board. The general manager shall be accountable to the Board and exercise the following functions and powers:

- 1) To be in charge of our Company's production, operational and management activities and report to the Board;
- 2) To organise the implementation of resolutions of the Board;
- 3) To organise the implementation of our Company's annual business plans and investment and financing plans made by the Board;
- 4) To draft plans for the establishment of our Company's internal management structure;
- 5) To prepare the establishment plans on subsidiaries and other affiliates of our Company;
- 6) To formulate the basic management system of our Company;
- 7) To formulate specific rules and regulations of our Company;

- 8) To propose the Board to appoint or remove the vice general manager, chief finance officer, chief economic manager and chief general engineer of our Company and provide advice on salaries of the abovementioned staff;
- 9) To appoint or remove management executives other than those appointed or removed by the Board and decide the assessment, salaries, incentives and punishments of such staff;
- 10) To exercise other functions and powers conferred in the Articles of Association or by the Board.

10. Reserves

When distributing after-tax profits of the current year, our Company shall set aside 10% of its profits into a statutory reserve fund (except where the fund has reached more than 50% of its registered capital).

If the statutory reserve fund of our Company is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, our Company may, upon a resolution passed by the Shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve funds shall be distributed in proportion of Shares held by the Shareholders, unless otherwise stipulated in the Articles of Association.

If the Shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before our Company has made up for losses and made allocations to the statutory reserve fund, the Shareholders must return the profits distributed in violation of the provision to our Company.

No profits shall be distributed in respect of the Shares held by our Company.

11. Settlement of disputes

Our Company shall adopt the following rules in dispute resolution:

- 1) Whenever any dispute or claim concerning our Company's affairs arises from the rights and obligations conferred or imposed by the contracts of Directors/Supervisors/general manager/senior management, Articles of Association, the Company Law and other relevant laws and administrative regulations between our Company and its Directors, Supervisors and senior management, between the holders of overseas listed foreign shares and our Company, between the holders of overseas listed foreign shares and our

Company's Directors, Supervisors, general manager or other senior management, and between the holders of overseas listed foreign shares and holders of Domestic Shares, the parties concerned shall resolve such dispute or claim through arbitration.

Where a dispute or claim described above is referred to arbitration, the entire claim or dispute shall be resolved through arbitration. All persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being our Company or the Shareholders, Directors, Supervisors, general manager or other senior management of our Company, shall be subject to the arbitration.

Disputes in respect of the definition of Shareholder and the register of Shareholders need not be resolved by arbitration.

- 2) The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or by the HKIAC in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration.

If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the HKIAC.

- 3) The laws of the PRC shall govern the arbitration of disputes or claims described in 1) above, unless otherwise provided by law or administrative regulations.
- 4) The award of the arbitral tribunal is final and conclusive, and shall be binding on the parties thereto.
- 5) The rules of dispute resolution in this article are concluded by the Directors, Supervisors or senior management with our Company, which represents itself as well as each Shareholder.
- 6) Any submitted arbitration shall be deemed to authorise the arbitral tribunal to make a public hearing and to publish its arbitral award.

1. FURTHER INFORMATION

A. Incorporation

The predecessor of our Company was Jihe Expressway Company, a limited liability company established under the applicable PRC laws on 6 January 2004. On 17 October 2016, Jihe Expressway Company's then shareholders approved the conversion of Jihe Expressway Company from a limited liability company to a sino-foreign joint stock limited liability company and changed its name to Qilu Expressway Company Limited. The conversion was then approved by Shandong SASAC on 18 October 2016. On 6 December 2016, our Company completed the registration for change with the Jinan City AIC in respect of its conversion into a joint stock limited liability company.

Our Company has established a place of business in Hong Kong at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong, and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 January 2018. For the purpose of the Companies Ordinance, Li & Partners has been appointed as our authorised representative for the acceptance of service of process on behalf of our Company. The address for service of process is 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix VI to this prospectus. A summary of our Articles of Association is set out in Appendix VII to this prospectus.

B. Changes in the registered capital of our Company

On 6 January 2004, Jihe Expressway Company, our Company's predecessor, was established as a limited liability company under the PRC laws with a registered capital of RMB200.00 million.

Immediately upon our conversion to a joint stock limited liability company taking effect on 6 December 2016, our registered capital was RMB1,500,000,000, divided into 1,500,000,000 Shares of RMB1.00 each, all of which were fully paid up.

Immediately upon completion of the Global Offering, the registered capital of our Company will be RMB2,000,000,000, made up of 900,000,000 Domestic Shares and 1,100,000,000 H Shares of nominal value of RMB1.00 each, assuming the Over-allotment Option is not exercised.

Save as disclosed in this Appendix, there has been no alteration in our registered capital of since our establishment.

C. Resolutions passed at our extraordinary shareholders' meetings held on 18 April 2017 and 20 January 2018 and the 2016 annual general meeting held on 15 June 2017

At our extraordinary shareholders' meeting held on 18 April 2017, among other things, the following resolutions were passed by the Shareholders:

- (a) approving our Company to issue a maximum of 500,000,000 H Shares of RMB1.00 each (excluding any H Shares to be issued upon the exercise of the Over-allotment Option) and the listing of such H Shares on the Stock Exchange; and
- (b) approving to grant the Over-allotment Option in relation to Shares not exceeding 15% of the above number of H Shares.

At the 2016 annual general meeting held on 15 June 2017, the Shareholders passed the resolution to, subject to the completion of the Global Offering, approve and adopt the Articles of Association, which shall become effective on the Listing Date, and to authorise the Board to amend the Articles of Association pursuant to any opinions issued by the Stock Exchange and the relevant regulatory authorities of the PRC.

At the extraordinary shareholders' meeting held on 20 January 2018, the Shareholders passed the resolution to approve the Board to handle all matters relating to, among other things, the issue of the H shares and the Listing.

2. REORGANISATION

Prior to the Global Offering, our Company was converted into a sino-foreign joint stock company with limited liability under the name of Qilu Expressway Company Limited. Our Company transferred the entire equity interest in Jihe Service held by our Company and all of our Company's 51.00% equity interest in Jihe Petroleum to Qilu Service Development, and Jihe Service transferred the entire equity interest in Shunguang Culture Media held by it to our Company. Our Company also transferred the ancillary facility assets along the Jihe Expressway held by it to Qilu Transportation. For details, please refer to the sub-section headed "History, Development and Group Structure — The Reorganisation" in this prospectus. Our PRC Legal Advisers have confirmed that the Reorganisation has been duly completed in compliance with the PRC laws, and necessary approvals for the Reorganisation have been obtained from the PRC competent authorities. For further details of the Reorganisation, please refer to the section headed "History, Development and Group Structure" in this prospectus.

3. FURTHER INFORMATION ABOUT OUR SUBSIDIARIES

The list of our subsidiaries as at 31 December 2017 is set out in the financial statements contained in the Accountant's Report as set out in Appendix I to this prospectus. Save as disclosed below, there was no change in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

Our Company completed the transfer of the entire equity interest in Jihe Service held by our Company and all of our Company's 51.00% equity interest in Jihe Petroleum and on 24 April 2017 pursuant to the Subsidiary and Asset Restructuring. Jihe Service completed the transfer of the entire equity interest in Shunguang Culture Media held by it to our Company on 26 April 2017 pursuant to the Subsidiary and Asset Restructuring. Since then, Shunguang Culture Media has become the direct wholly-owned subsidiary of our Company.

4. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years immediately preceding the date of this prospectus which are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Jihe Service Equity Transfer Agreement dated 18 April 2017 entered into between our Company and Qilu Service Development;
- (c) the Jihe Petroleum Equity Transfer Agreement dated 19 April 2017 entered into between our Company and Qilu Service Development;
- (d) the Shunguang Culture Media Equity Transfer Agreement dated 18 April 2017 entered into between Jihe Service and our Company;
- (e) the Ancillary Facility Assets Transfer Agreement dated 19 April 2017 entered into between our Company and Qilu Transportation;
- (f) the Non-Competition Agreements dated 12 December 2017 entered into by our Company with each of Qilu Transportation and COSCO SHIPPING (Hong Kong), respectively;

- (g) a cornerstone investment agreement dated 20 June 2018 entered into among our Company, CITIC-Prudential Life Insurance Company Ltd. (中信保誠人壽保險有限公司) and CSCI, pursuant to which CITIC-Prudential Life Insurance Company Ltd. agreed to subscribe for 103,750,000 H Shares at the Offer Price per H Share;
- (h) a cornerstone investment agreement dated 20 June 2018 entered into among our Company, Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司) and CSCI, pursuant to which Shandong Hi-Speed Investment Holdings Co., Ltd. agreed to subscribe for 103,750,000 H Shares at the Offer Price per H Share; and
- (i) a cornerstone investment agreement dated 20 June 2018 entered into among our Company, Shandong SSF and CSCI, pursuant to which Shandong SSF agreed to subscribe for 42,499,000 H Shares at the Offer Price per H Share.

B. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, we have been granted to use the following trademark in Hong Kong by Qilu Transportation:

No.	Owner	Trademark	Registration Number	Duration	Class
1	Qilu Transportation	 	303933982	From 18 October 2016 to 17 October 2026	6, 7, 9, 11, 12, 16, 19, 35, 36, 37, 39, 40, 42, 43
2	Qilu Transportation	 	303934891	From 19 October 2016 to 18 October 2026	6, 7, 9, 11, 12, 16, 19, 37, 39, 40, 42, 43
3	Qilu Transportation	 	303934909	From 19 October 2016 to 18 October 2026	6, 7, 9, 11, 12, 16, 19, 37, 39, 40, 42, 43

(b) Domain Name

As at the Latest Practicable Date, we have registered the following domain name:

Domain Name	Registrant
www.qlecl.com	Our Company
www.qleclgh.com	Our Company

5. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS**A. Particulars of Directors' and Supervisors' Contracts**

Each of our executive Director and non-executive Directors entered into a service contract with our Company on 15 June 2018. The principal particulars of these service agreements are (a) for a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained and (b) are subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable laws and regulations.

Each of our Supervisors entered into a contract in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration with our Company on 15 June 2018.

Save as disclosed above, none of our Directors or Supervisors has entered into or is proposed to enter into a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

The aggregate amounts of compensation (including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors and Supervisors during the three years ended 31 December 2017, were approximately RMB1.8 million, RMB2.0 million and RMB2.5 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by us to our Directors and Supervisors in respect of the three years ended 31 December 2017.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director during the current financial year.

Under the current arrangement, the aggregate remuneration payable and benefits in kind granted to our Directors and our Supervisors for the year ended 31 December 2018 are approximately RMB1.6 million and RMB1.0 million, respectively.

Each of our Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

6. DISCLOSURE OF INTERESTS**A. Disclosure of Interests of our Directors and Supervisors**

Immediately following the completion of the Global Offering, none of our Directors or Supervisors has any interest or short positions in our Shares, underlying shares of equity derivatives and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required to be recorded in the register under Section 352 of the SFO or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

Up to the Latest Practicable Date, none of our Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of its associated corporations.

B. Disclosure of Interests of Substantial Shareholders

Please refer to the section headed “Substantial Shareholders” in this prospectus for information of the person(s) who will, immediately upon the completion of the Global Offering, have interests or short position in the Shares or underlying shares which shall be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at Shareholders’ general meetings of our Company.

C. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole;

- (c) neither of the parties listed in the paragraph headed “7. Other Information — F. Qualification of experts” to this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiary; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (d) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Hong Kong Stock Exchange;
- (e) as at the Latest Practicable Date, none of our Directors, Supervisors, or their associates, or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in our five largest business customers;
- (f) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the Promoter nor is any such amount, securities or benefit intended to be paid, allotted or given. None of our Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business; and
- (g) none of our Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended 31 December 2017, as an inducement to join or upon joining our Company, or otherwise for services rendered by him/her in connection with the promotion or formation of our Company.

7. OTHER INFORMATION

A. Estate duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Group.

B. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, we are not engaged in any material litigation, arbitration or administrative proceedings which could have a material effect on our financial condition or results of operations. So far as our Directors are aware, no such litigation, arbitration or administrative proceedings of material importance is pending or threatened against our Company.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, our H Shares, including any additional Offer Shares which may be issued upon the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The Joint Sponsors, namely, Zhongtai International Capital and CSCI, satisfy the independence criteria applicable to sponsors pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

Our Company has entered into engagement agreements with the Joint Sponsors respectively, pursuant to which our Company shall pay HK\$7.0 million and HK\$0.5 million to Zhongtai International Capital and CSCI, respectively, for acting as the sponsors in respect of the Global Offering of our Company.

D. Compliance Adviser

We have appointed Zhongtai International Capital as our compliance adviser upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

E. Preliminary expenses

We have not incurred any preliminary expenses as at the Latest Practicable Date.

F. Qualification of experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

<u>Name</u>	<u>Qualification</u>
Zhongtai International Capital Limited	A licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
China Securities (International) Corporate Finance Company Limited	A licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent business valuer
S&P Law Firm	PRC Legal Advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
WB Group International Limited	Traffic Consultant

G. Taxation of holders of H Shares

Any sale, acquisition or transfer of H Shares which has taken effect in the H Share register of members of our Company (including the transactions on the Stock Exchange) shall be subject to Hong Kong stamp duty. The prevailing Hong Kong stamp duty applicable to the sale, acquisition and transfer is charged at HK\$2.00 for every HK\$1,000 or any portion of this amount, based on the consideration or the fair value of the Shares sold or transferred, whichever is higher. For further details of taxation, please refer to “Appendix III — Taxation and Foreign Exchange” to this prospectus.

H. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial position or business operation since 31 December 2017.

I. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

J. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus: (i) we have not issued or agreed to issue any share or loan capital fully or partly paid up either in exchange for cash or a consideration other than cash; and (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any of the Shares of our Company;
- (b) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder, management or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there are no arrangements under which future dividends are waived or agreed to be waived;
- (f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (g) there have been no interruptions in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to be listed on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and
- (i) our Company, as a sino-foreign joint stock limited company, is subject to the PRC Company Law and the Law of the People's Republic of China on Sino-foreign Joint Ventures (《中華人民共和國中外合資經營企業法》).

K. Consents

Each of the experts as referred to in the paragraph headed “7. Other Information — F. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of any of its certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it is included.

L. Promoters

The Promoters of our Company are Qilu Transportation, COSCO SHIPPING (Hong Kong) and Shandong Construction. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the Promoter named above in connection with the Global Offering or the related transactions described in this prospectus.

M. Related party transactions

Our Group entered into related party transactions within the two years immediately preceding the date of this prospectus. For details, please refer to the section headed “Connected Transactions” in this prospectus and note 31 of Appendix I to this prospectus.

N. Personal guarantees

Our Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

O. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “7. Other Information — K. Consents” in Appendix VIII to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “4. Further Information about our Business — A. Summary of our material contracts” in Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association in Chinese;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 31 December 2015, 2016 and 2017;
- (d) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinions issued by S&P Law Firm, our PRC Legal Advisers, in respect of our general matters and property interests of our Group;
- (f) the traffic consultation report for the traffic flow and toll income forecasting study of the Jihe Expressway in Shandong Province prepared by WB Group;
- (g) the business valuation report from JLL in respect of the market value of the toll road business of our Company, the text of which is set out in Appendix IV to this prospectus;
- (h) the assurance report from PricewaterhouseCoopers on the calculations of discounted future estimated cash flows in connection with the business valuation of our Company, the text of which is set out in Appendix IV to this prospectus;

- (i) the letter from Zhongtai International Capital regarding the business valuation conducted by JLL in connection with the appraisal of the market value of our Company's business enterprise, the text of which is set out in Appendix IV to this prospectus;
- (j) the letter from CSCI regarding the business valuation conducted by JLL in connection with the appraisal of the market value of our Company's business enterprise, the text of which is set out in Appendix IV to this prospectus;
- (k) the Frost & Sullivan Report;
- (l) the material contracts referred to in the paragraph headed "4. Further Information about our Business — A. Summary of our material contracts" in Appendix VIII to this prospectus;
- (m) the written consents referred to in the paragraph headed "7. Other Information — K. Consents" in Appendix VIII to this prospectus;
- (n) the service contracts referred to in the paragraph headed "5. Further Information about our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts" in Appendix VIII to this prospectus; and
- (o) the PRC Company Law, Special Regulations and Mandatory Provisions, together with their unofficial English translations.



齐鲁高速
Qilu Expressway