

# 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



ANNUAL REPORT  
2020





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## Definitions and Glossary of Technical Terms

|   |  |
|---|--|
| “2020 AGM”  | the 2020 annual general meeting of the Company to be convened and held on Thursday, 24 June 2021 or the adjournment thereof  |
| “2020 Final Dividend”                                   | the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.180 (tax inclusive) per Share   |
| “2021-2023 General Services Framework Agreement”        | the agreement dated 2 June 2020 and entered into between the Company and Qilu Transportation for the procurement of the general highway business operation services from Qilu Transportation and its relevant subordinated entities for the three years ending 31 December 2023  |
| “Acquisition Circular”                                  | the circular of the Company dated 26 June 2020 in relation to, among others, the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Company from Qilu Transportation   |
| “Administration for Market Regulation Bureau”           | the Bureau of the State Administration for Market Regulation   |
| “Advertisement Business”                                | the business of the Group in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards   |
| “Articles of Association”                               | the articles of association of the Company   |
| “Assumed Liabilities”                                   | the liabilities and the repayment of which assumed by the Company under the Debt Assignment Agreements and the Debt Assumption Agreement   |
| “Audit Committee”                                       | the audit committee of the Board   |
| “Benchmark Date”  | 24:00 hour on 31 December 2019   |
| “Board” or “Board of Directors”                         | the board of Directors of the Company  |
| “Changqing University Science Park Interchange Project” | the improvement project of the Company for the construction of a new interchange on the Jihe Expressway with a ramp connecting to the Changqing University Science Park. Please refer to the sub-section headed “Business – Upgrade of the Jihe Expressway” in the Prospectus and the sub-section headed “Management Discussion and Analysis – Business Review – Construction Business” in this report for details |
| “China” or “PRC”  | the People’s Republic of China, which for the purpose of this report excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan   |

## Definitions and Glossary of Technical Terms

|                        |   |
|------------------------|---|
| “Class 3”              | passenger vehicles with a length of not less than 6,000 millimetres and an approved passenger capacity of not more than 39 persons; trucks with a total of 3 axles (including suspension axles); and special motor vehicles with a total of 3 axles (including suspension axles)  |
| “Class 4”              | passenger vehicles with a length of not less than 6,000 millimetres and an approved passenger capacity of not less than 40 persons; trucks with a total of 4 axles (including suspension axles); and special motor vehicles with a total of 4 axles (including suspension axles)  |
| “Class 5”              | trucks with a total of 5 axles (including suspension axles); and special motor vehicles with a total of 5 axles (including suspension axles)  |
| “Class 6”              | trucks with a total of 6 axles (including suspension axles); and special motor vehicles with a total of 6 or more axles (including suspension axles)  |
| “China Shipping”       | China Shipping Group Company Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of COSCO SHIPPING   |
| “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, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)  |
| “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 People's Government (山東省人民政府)) and the Company on 26 September 2004   |
| “Concession Period”    | the period from 26 September 2004 to 25 September 2034 during which, pursuant to the Concession Agreement, the Company shall exercise the exclusive Concession Rights   |
| “Concession Rights”    | 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 from vehicles thereon) pursuant to the Concession Agreement |

## Definitions and Glossary of Technical Terms

|  |   |
|--|---|
| "controlling shareholder(s)"                           | has the meaning ascribed to it under the Listing Rules  |
| "core connected person(s)"                             | has the meaning ascribed to it under the Listing Rules  |
| "Corporate Governance Code"                            | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules  |
| "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, the entire equity interest of which is held by the Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is one of the controlling Shareholders of the Company   |
| "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, holding approximately 30.00% equity interest of the Company as at the date of this report, and is one of the controlling Shareholders of the Company  |
| "Debt Assignment Agreements"                           | the agreements entered into among the Company, Qilu Transportation and each of the Lending Banks upon completion of the transactions under the Transfer Agreement, to transfer the rights and obligations under the relevant bank facilities in respect of the construction projects of the Deshang and Shennan Expressways from Qilu Transportation to the Company with effect from the Transfer Agreement Effective Date  |
| "Debt Assumption Agreement"                            | the agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which the Company agreed to assume the loans provided by Qilu Transportation for the Deshang and Shennan Expressways construction projects and the repayment thereof to Qilu Transportation with effect from the Transfer Agreement Effective Date, under which the total principal and interest to be repaid immediately after the Benchmark Date are RMB570,611,303.14 and RMB50,807,453.05, respectively |
| "Deshang and Shennan Expressways"                      | collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway  |
| "Deshang and Shennan Expressways Land Lease Agreement" | the land use right lease agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which Qilu Transportation agreed to lease the land use rights in respect of a total of 27 parcels of land under the main line and the alongside facilities (excluding advertising and service facilities) of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular   |

## Definitions and Glossary of Technical Terms

|  |  |
|--|--|
| “Deshang and Shennan Expressways Service Agreement”      | the agreement dated 2 June 2020 and entered into among the Company, Qilu Transportation Liaocheng Branch and Qilu Transportation for the secondment of the employees of Qilu Transportation Liaocheng Branch recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular   |
| “Deshang and Shennan Expressways Toll Collection Rights” | the toll collection rights in respect of the Deshang and Shennan Expressways to be transferred to the Company under the Transfer Agreement, such rights comprise the rights in relation to (i) the operation, maintenance and management of the expressways and (ii) toll collection from vehicles passing along the expressways but do not include the operating rights in respect of the Advertisement Business (including the leasing of advertisement billboards built along the expressways and the provision of the advertisement publication services on those advertisement billboards) and operations of the service facilities along the expressways |
| “Deshang Expressway (Liaocheng – Fan County section)”    | an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometers  |
| “Director(s)”  | director(s) of the Company   |
| “Domestic Share(s)”                                      | ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB  |
| “Domestic Shareholder(s)”                                | holder(s) of the Domestic Share(s)   |
| “ETC”  | electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment   |
| “Excluded Contracts”                                     | certain contracts in respect of the construction project of the Shennan Expressway and, as at the Latest Practicable Date, the final contract sum of such contracts are still subject to certification in accordance with the acceptance and settlement (竣工結算) of the project  |

## Definitions and Glossary of Technical Terms

|                               |   |
|-------------------------------|---|
| “Executive”                   | the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates  |
| “Expressway Business”         | our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway  |
| “Global Offering”             | the offer of H Shares for subscription by the public in Hong Kong and outside the United States of America in offshore transactions, details of which can be found in the Prospectus  |
| “Group”, “us” or “we”         | the Company and all of its subsidiaries   |
| “H Share(s)”                  | overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange  |
| “H Shareholder(s)”            | holders of H Share(s)   |
| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong   |
| “HKAS(s)”                     | Hong Kong Accounting Standard(s)  |
| “HKFRS”                       | Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA  |
| “HKICPA”                      | Hong Kong Institute of Certified Public Accountants   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC  |
| “Jihe Expressway”             | Jinan (濟南) to Heze (菏澤) Expressway, the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometers   |
| “Jinan Xinyue”                | Jinan Xinyue New Road Material Research and Development Company Limited (濟南鑫岳新型道路材料研發有限公司), a limited liability company incorporated under the laws of the PRC and an associate held by the Group through Shandong Gangtong Construction as to 40% of its equity interest |



## Definitions and Glossary of Technical Terms

|                                    |   |
|------------------------------------|---|
| “Joint Restructuring”              | the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group pursuant to the Merger Agreement  |
| “Lending Bank(s)”                  | collectively, China Construction Bank Corporation Jinan Zhenzhuquan Subbranch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), and Huaxia Bank Co., Ltd. Huaiyin Sub-branch (華夏銀行濟南槐蔭支行), being the banks providing financing facilities for the construction projects of the Deshang and Shennan Expressways                |
| “Listing”                          | the listing of the H Shares on the Main Board of the Stock Exchange on 19 July 2018   |
| “Listing Land Lease Agreement”     | the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company the land use rights in respect of the land parcels of the Jihe Expressway, details of which are set out in the Prospectus  |
| “Listing Property Lease Agreement” | the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company a total of 45 properties used by the seven management centres and one maintenance and emergency response centre on the Jihe Expressway, details of which are set out in the Prospectus |
| “Listing Rules”                    | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Merger Agreement”                 | the merger agreement dated 23 September 2020 and entered into between Shandong Hi-Speed Group and Qilu Transportation in relation to the Joint Restructuring  |
| “Ministry of Transport”            | the Ministry of Transport of the People’s Republic of China (中華人民共和國交通運輸部)  |
| “Model Code”                       | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules  |
| “Nomination Committee”             | the nomination committee of the Board   |
| “pandemic”                         | the COVID-19 pandemic   |



## Definitions and Glossary of Technical Terms

|  |   |
|--|---|
| “PBOC”                                 | the People’s Bank of China, the central bank of the PRC   |
| “Prospectus”                           | the prospectus of the Company dated 29 June 2018 in connection with the Global Offering   |
| “Qilu Transportation”                  | Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015 and deregistered by the PRC competent authorities upon completion of the Joint Restructuring on 16 November 2020, and a then controlling Shareholder before completion of the Joint Restructuring   |
| “Qilu Transportation Liaocheng Branch” | Shandong Hi-Speed Group Company Limited Liaocheng Branch (山東高速集團有限公司聊城分公司) (formerly known as Qilu Transportation Development Group Company Limited Liaocheng Branch (齊魯交通發展集團有限公司聊城分公司)), formerly a branch company of Qilu Transportation before completion of the Joint Restructuring and currently a branch company of Shandong Hi-Speed Group  |
| “Remuneration and Appraisal Committee” | the remuneration and appraisal committee of the Board   |
| “Reporting Period” or “Year”           | the year ended 31 December 2020   |
| “RMB” or “Renminbi”                    | Renminbi, the lawful currency of the PRC  |
| “SFO”                                  | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Shandong 9–5–1–7 Expressway Network”  | the “nine-vertical; five-traverse; one-ring and seven-radials and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2018–2035) 《山東省高速公路網中長期規劃(2018–2035)》 promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 km by 2035 |
| “Shandong Gangtong Construction”       | Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this report  |
| “Shandong Hi-Speed Group”              | Shandong Hi-Speed Group Company Limited* (山東高速集團有限公司), a limited liability company incorporated in the PRC, holding approximately 38.93% of the total issued Shares as at the date of this report, is an existing controlling Shareholder   |

## Definitions and Glossary of Technical Terms

|   |  |
|---|--|
| “Shandong SASAC”  | State-owned Assets Supervision and Administration Commission of the Shandong Province (山東省政府國有資產監督管理委員會)   |
| “Shandong Transport Department”   | Shandong Provincial Traffic Transport Department (山東省交通運輸廳)  |
| “Share(s)”  | ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares   |
| “Shareholder(s)”  | holder(s) of Share(s)  |
| “Shennan Expressway”  | an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometers |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “Strategy Committee”  | the strategy committee of the Board  |
| “Subsisting Agreements”   | collectively the Listing Property Lease Agreement, the Listing Land Lease Agreement, the Deshang and Shennan Expressways Land Lease Agreement, the Transfer Agreement, the Debt Assumption Agreement and the Deshang and Shennan Expressways Service Agreement   |
| “Supervisor(s)”   | member(s) of the Supervisory Committee   |
| “Supervisory Committee”   | the supervisory committee of the Company established pursuant to the Company Law   |
| “Original General Services Framework Agreement”                               | the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation and its subordinated entities shall provide general highway business operation services to the Company   |
| “Supplemental Agreement of the Original General Services Framework Agreement” | the supplemental agreement dated 2 June 2020 and entered into between the Company and Qilu Transportation to revise the Existing 2020 Annual Cap under the Original General Services Framework Agreement to the Revised 2020 Annual Cap  |
| “Takeovers Code”  | The Codes on Takeovers and Mergers and Share Buy-backs   |

## Definitions and Glossary of Technical Terms

|                                     |   |
|-------------------------------------|---|
| “Transfer Agreement”                | the conditional Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》) dated 2 June 2020 and entered into between Qilu Transportation (as transferor) and the Company (as transferee) in relation to the transfer of the Deshang and Shennan Expressways Toll Collection Rights, as supplemented and amended by a supplemental agreement to the Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》之補充協議) entered into between the above parties on the same date, details of which are set out in the Acquisition Circular |
| “Transfer Agreement Effective Date” | the date on which the Transfer Agreement shall become effective following the fulfillment of all conditions precedent of the Transfer Agreement, being 11 August 2020   |
| “Transfer Interest”                 | the interest in respect of the Deshang and Shennan Expressways Toll Collection Rights   |
| “Transfer Terms”                    | the terms during which the Company shall be entitled to exercise the Deshang and Shennan Expressways Toll Collection Rights, that is, from the Benchmark Date to 15 November 2040 (in respect of the Deshang Expressway (Liaocheng – Fan County section)) and from the Benchmark Date to 27 September 2043 (in respect of the Shennan Expressway), unless otherwise extended by the concession authority or other government authority due to policy or other reasons in future   |
| “Tripartite Agreements”             | the tripartite agreements of which Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution on 26 November 2020 in relation to, among other things, the confirmation of the assumption of all contractual rights and obligations of Qilu Transportation under the Subsisting Agreements by Shandong Hi-Speed Group  |
| “%”                                 | per cent  |

# Corporate Information

## REGISTERED NAME OF THE COMPANY

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

## LEGAL REPRESENTATIVE

Mr. Li Gang

## BOARD OF DIRECTORS

### (1) Executive Directors

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

### (2) Non-executive Directors

Mr. Chen Dalong  
Mr. Wang Shaochen  
Mr. Zhou Genyu  
Mr. Su Xiaodong  
Ms. Kong Xia  
Mr. Tang Haolai  
Mr. Du Zhongming

### (3) Independent Non-executive Directors

Mr. Cheng Xuezhao  
Mr. Li Hua  
Mr. Wang Lingfang  
Mr. He Jiale  
Mr. Han Ping

## BOARD COMMITTEES

### (1) Audit Committee

Mr. He Jiale (*Chairman*)  
Mr. Wang Shaochen  
Mr. Li Hua

### (2) Remuneration and Appraisal Committee

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

### (3) Nomination Committee

Mr. Li Gang (*Chairman*)  
Mr. Cheng Xuezhao  
Mr. Li Hua  
Mr. Wang Lingfang

### (4) Strategy Committee

Mr. Li Gang (*Chairman*)  
Mr. Peng Hui  
Mr. Liu Qiang  
Mr. Wang Shaochen  
Mr. Li Hua

## SUPERVISORY COMMITTEE

### (1) Shareholder Representative Supervisors

Ms. Meng Xin (*Chairperson of the Supervisory Committee*)  
Mr. Wu Yongfu  
Mr. Zhang Yin

### (2) Employee Supervisors

Mr. Hao Dehong  
Ms. Hou Qinghong  
Mr. Wang Shun

### (3) Independent Supervisors

Mr. Li Ruzhi  
Mr. Meng Qinghui



## Corporate Information

### JOINT COMPANY SECRETARIES

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

### AUTHORISED REPRESENTATIVES

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

### AUDITOR

#### Ernst & Young

*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F CITIC Tower,  
1 Tim Mei Avenue,  
Central, Hong Kong

### LEGAL ADVISER AS TO PRC LAW

#### DeHeng Law Offices (Jinan)

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

### LEGAL ADVISER AS TO HONG KONG LAW

#### Li & Partners

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

### REGISTERED ADDRESS

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

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre,  
No. 248 Queen's Road East, Wanchai, Hong Kong

### PRINCIPAL BANKERS

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

### H SHARE REGISTRAR IN HONG KONG

#### Computershare Hong Kong Investor Services Limited

Shops 1712-1716,  
17th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

### COMPANY WEBSITE

[www.ql ecl.com](http://www.ql ecl.com)

### STOCK CODE

1576

# Chairman's Statement

## Dear valued Shareholders,

On behalf of the Board of Directors, I am honoured to present you the annual results of the Group for 2020.

## MACROECONOMIC ENVIRONMENT AND SOCIAL DEVELOPMENT

2020 was an extremely challenging year. Facing the severe impact of the pandemic and the complicated international landscape, China's economy showed strong development resilience, huge potential and enormous wiggle room. In 2020, China's total gross domestic product surpassed RMB100 trillion for the first time to reach RMB101.6 trillion, representing a year-on-year growth of 2.3%. Shandong Province, the place where the Group's principal businesses are located in, recorded a year-on-year gross regional product growth of 3.6%, reaching RMB7,312.90 billion. With robust economic development against headwinds and steady improvement in economic quality, the major economic indicators of Shandong Province outperformed expectation and excelled the national average.

## REVIEW OF OUR OPERATIONS

During the Reporting Period, the Group closely focused on two aspects, namely "efficiency" and "service". While working on pandemic prevention and control on one hand, we made efforts in the production and operation on the other hand, striving to enhance the Group's service quality and brand image and have achieved prominent results. First, we strengthened our management of toll collection. We equipped ourselves with advanced information management system to achieve better control and command, increase operational and management efficiency and ensure road safety and smooth traffic flow. Second, we strengthened our maintenance management. We introduced a full life-cycle concept, based on which we standardised our maintenance operation, enhanced our preventive maintenance and routine maintenance efforts, promptly handled and eliminated safety hazards and hidden dangers, with the aim of increasing road capacity. Third, we insisted on risk management. We firmly established the guidance thought of "safety work is no trivial matter and safety responsibility is of paramount importance" (安全工作無小事·安全責任重如山), and developed targeted preventive measures to eliminate hidden safety dangers and make rectifications on discovered latent road defects in a timely manner. Fourth, we implemented pandemic prevention and control work and performed our social responsibility. We established a pandemic prevention and control work responsibility system, formulated a contingency plan for pandemic prevention and control and a manual for prevention and control, and improved the implementation of prevention and control response measures, to ensure zero infection of our staff.

During the Reporting Period, the Group set creating greater value and return for Shareholders as its development goal. In tandem with endeavouring in the principal businesses of expressway operation, the Group also looked for long-term growth. To achieve this, the Group took capital operation as a key approach for deepening the reform of investment and financing systems, accelerating the new and old kinetic energy conversion (新舊動能轉換) and tapping into international capital markets, and regarded it as an important opportunity for the Company to promote reform and innovation, to achieve success, excellence and expansion, and to push forward the implementation of fundraising projects. In September 2020, the Company completed the acquisition of the Deshang and Shennan Expressways. The acquisition enlarged the scale of the Company's principal business,

## Chairman's Statement

realised the consolidation of core expressway assets in the region, and increased the Company's continuing profitability and regional competitiveness. Meanwhile, the Company seized the opportunities arising from the regional city enhancement and urban construction market to actively develop the upstream and downstream business in the highway industry. The completion of acquisition of the 100% equity interest in Shandong Gangtong Construction in March 2020 enhanced the Company's capability of road construction, nurtured new drivers for profit growth, and expanded the Company's business scale.

We continued to have regard to the Expressway Business as the principal operation of the Company, which comprises the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway. During the Reporting Period, the Group's Expressway Business sustained an overall stable operation, recording revenue of RMB1,541,041,000. Due to the pandemic, the traffic volume on the Jihe Expressway during the Reporting Period decreased from approximately 61,700 vehicles per day during the year ended 31 December 2019 to approximately 56,700 vehicles per day during the Reporting Period. The toll income from the Jihe Expressway decreased by approximately 3.73% to approximately RMB1,049,899,000 during the Reporting Period. The Deshang Expressway (Liaocheng – Fan County section) recorded a traffic volume of approximately 47,500 vehicles per day and a toll income of approximately RMB441,808,000. The Shennan Expressway recorded a traffic volume of approximately 8,100 vehicles per day and a toll income of approximately RMB49,334,000. For details, please refer to the sub-sections headed "Financial Review – Operations – Revenue" and "Business Review – Expressway Business" under the "Management Discussion and Analysis" section in this report.

## OUTLOOK

In 2020, we experienced a challenging and complicated macroeconomic landscape. Due to the pandemic, the Company suspended the collection of tolls from all vehicles during the pandemic prevention and control period as required by the Ministry of Transport. During the period of combating with the pandemic, the Company enhanced the cooperation with the government authorities by ensuring the smooth passage of the Jihe Expressway for the transportation of anti-pandemic supplies, upon which enabling the Company to make contribution to the pandemic prevention and control work and public safety. Upholding to new development philosophies, Shandong Province demonstrated a relatively strong development momentum that drove its high-quality economic growth. This, in turn, safeguarded the continuous development of the Company. Viewing on the overall operating performance for the full year of 2020, the Company maintained a positive development trajectory, and is confident in its future development.

2021 is the first year for China to implement the 14th Five-Year Plan and embark on a new journey to fully build a modern socialist China. It is also an important year for the Company to accelerate its development. Embracing the theme for high-quality development, the Company will step into a new stage of development, implement a new development philosophy and establish a new development strategic plan. The Company will set the ideas of collaboration, participation and common interests as the directions, take reform and innovation as the drivers, operational management as the foundation and capital operation as the approach, and focus on our principal businesses while looking for long-term development. We will build up team spirit and forge concerted effort, make our best endeavour to move forward and diligently complete all targets and missions set out by the Board. We are committed to developing ourselves as a first-class listed company and strive to further create value for Shareholders and make contribution to society.

## Chairman's Statement

For further details of the Group's further business development, please refer to the sub-section headed "Management Discussion and Analysis – Business Review – Prospects" in this report.

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

**Qilu Expressway Company Limited**

**Li Gang**

*Chairman*

26 March 2021



## Financial Highlights

|   | Change<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) <sup>(1)</sup> | 2018<br><i>RMB'000</i> | 2017<br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|---|--------------------------|------------------------|---|------------------------|------------------------|------------------------|
| <b>Summary of consolidated statement of profit or loss and other comprehensive income</b> |                          |                        |   |                        |                        |                        |
| Revenue   | 57,293                   | <b>1,689,536</b>       | 1,632,243   | 921,735                | 1,045,060              | 999,846                |
| Gross profit  | 31,283                   | <b>983,133</b>         | 951,850   | 622,527                | 752,210                | 702,350                |
| Profit before income tax  | 32,031                   | <b>827,281</b>         | 795,250   | 544,517                | 666,533                | 589,282                |
| Profit and total comprehensive income attributable to owners of the Company               | 25,048                   | <b>620,776</b>         | 595,728   | 408,505                | 528,152                | 443,226                |
| Basic/diluted earnings per share ( <i>RMB</i> )   | 0.01                     | <b>0.31</b>            | 0.30  | 0.24                   | 0.35                   | 0.30                   |
| <b>Summary of consolidated statement of financial position</b>                            |                          |                        |   |                        |                        |                        |
| Cash and cash equivalents   | (1,322,446)              | <b>74,731</b>          | 1,397,177   | 1,006,860              | 415,835                | 367,549                |
| Current liabilities   | (382,167)                | <b>976,446</b>         | 1,358,613   | 518,617                | 561,431                | 606,739                |
| Total assets  | (1,282,626)              | <b>6,708,047</b>       | 7,990,673   | 4,353,266              | 3,637,886              | 3,831,325              |
| Borrowings  | 715,082                  | <b>3,257,067</b>       | 2,541,985   | 510,000                | 825,000                | 1,300,000              |
| Gearing ratio (%)   | 33.54%                   | <b>52.33%</b>          | 18.79%  | N/A                    | 14.18%                 | 29.24%                 |
| Net assets per Share ( <i>RMB</i> )   | (1.02)                   | <b>1.45</b>            | 2.47  | 1.77                   | 1.65                   | 1.50                   |
| Return on net assets  | 9.37%                    | <b>21.41%</b>          | 12.04%  | 11.57%                 | 21.43%                 | 19.88%                 |
| <b>Summary of consolidated statement of cash flows</b>                                    |                          |                        |   |                        |                        |                        |
| Net cash flows from operating activities  | (232,090)                | <b>1,138,143</b>       | 1,370,233   | 667,836                | 675,640                | 757,987                |
| Net cash flows from investing activities  | (2,552,585)              | <b>(2,734,529)</b>     | (181,944)   | (411,663)              | 188,480                | (18,426)               |
| Net cash flows from financing activities  | 1,072,144                | <b>271,424</b>         | (800,720)   | 319,553                | (815,834)              | (427,625)              |
| Net increase (decrease) in cash and cash equivalents                                      | (1,712,531)              | <b>(1,324,962)</b>     | 387,569   | 575,726                | 48,286                 | 311,936                |

Note:

- (1) As a result of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Group which has been accounted for as a business combination under common control, for the purpose of illustration, the Group has restated the 2019 comparative amounts of the consolidated statement of profit or loss and other comprehensive income by including the operating results of the Deshang and Shennan Expressways and eliminating the transactions with the Deshang and Shennan Expressways, as if the acquisition of the Deshang and Shennan Expressways Toll Collection Rights had been completed on 1 January 2019. The consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group as at 31 December 2019 were also restated to include the financial data related to the Deshang and Shennan Expressways Toll Collection Rights. However, no such restatement has been made to the consolidated financial statements of the Group for the three years ended 31 December 2018.

# Management Discussion and Analysis

*Unless otherwise specifically stated, comparative figures of 2019 has been restated pursuant to the merger accounting for business combination under common control of the Group. Details of the restatements are set out in Note 2.1 to the financial statements in this report.*

## FINANCIAL REVIEW

### Operations

Our principal operations comprise our Expressway Business for the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway. During the Reporting Period, our revenue comprised primarily the toll income collected from users of the above expressways.

Reference is made to the announcement of the Company dated 14 September 2020. The Company completed the acquisition of the toll collection rights of the Deshang and Shennan Expressways on that day. Since then, the Company is responsible for the operation, maintenance and management of the Deshang and Shennan Expressways and collection of tolls from vehicles passing the Deshang and Shennan Expressways. For further details of the acquisition of Deshang and Shennan Expressways Toll Collection Rights, please refer to the sub-section headed “Significant Investments, Material Acquisitions or Disposals of Subsidiaries and Associated Companies – (2) Acquisition of the Toll Collection Rights in Respect of the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway” under this section.

Owing to the commencement of construction activities for the Changqing University Science Park Interchange Project which forms our construction business, we recognised revenue from construction business in respect of such activities during the Reporting Period. In addition, upon completion of the acquisition of Shandong Gangtong Construction, the Group derived revenue from engineering services in respect of highway engineering, construction engineering and other engineering projects since April 2020. We also recorded certain service income from the leasing of pipes for communication signal transmission and advertisement billboards along the Jihe Expressway and the provision of advertisement publication services.

### Revenue

During the Reporting Period, we recorded a revenue from operations of approximately RMB1,689,536,000, representing an increase of approximately 3.51% compared with that of approximately RMB1,632,243,000 of last year. Such revenue from operations included the revenue from the Expressway Business which amounted to RMB1,541,041,000, representing a slight year-on-year increase by approximately RMB2,126,000 (or 0.14%). During the Reporting Period, toll income from the Jihe Expressway was approximately RMB1,049,899,000, representing a decrease of approximately 3.73% compared with that of approximately RMB1,090,536,000 of last year. Our toll income from the Deshang and the Shennan Expressways was approximately RMB491,142,000, representing an increase of approximately 9.54% from that of approximately RMB448,379,000 of last year. We achieved a slight increase in the total toll income, which was primarily attributable to the fact that the increase in toll income as driven by the higher traffic volume on the Deshang and the Shennan Expressways was larger than the decrease in toll income resulted from the decline in traffic volume on the Jihe Expressway.

## Management Discussion and Analysis

During the Reporting Period, owing to the notices issued by the competent transportation authorities of the State, vehicle toll collection was suspended for a certain period of time for the purpose of pandemic prevention and control, which had a negative impact on the toll income of the Group for the first half of 2020. Based on the analysis of the traffic volume and toll income of the Company in previous and current years, the relevant impact from the pandemic on the Group's toll income is approximately RMB360 million. For further details of the movements in our toll income and the underlying traffic volume analysis, please refer to the sub-section headed "Business Review—Expressway Business" under this section.

During the Reporting Period, we recorded a revenue from construction business of approximately RMB142,665,000, representing an increase of approximately 61.41% from that of approximately RMB88,384,000 of last year. The amount included the revenue from construction business recognised for projects of the Group, such as the Changqing University Science Park Interchange Project, of RMB51,332,000 as at 31 December 2020, and the revenue from engineering services of RMB91,333,000 which was mainly derived from Shandong Gangtong Construction. For details, please refer to the sub-section headed "Business Review—Construction Business" under this section.

During the Reporting Period, we recorded a rental income of approximately RMB3,910,000, representing a decrease of approximately 4.31% from that of RMB4,086,000 of last year. The rental income mainly represented the service income from leasing the advertisement billboards along both sides of the Jihe Expressway of approximately RMB2,942,000 (representing an increase of approximately 7.18% from that of approximately RMB2,745,000 of last year), and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties of approximately RMB968,000 (representing a decrease of approximately 27.82% from that of RMB1,341,000 of last year). Such decrease in rental income was primarily attributable to the rent reductions on the investment properties due to the pandemic.

In addition, during the Reporting Period, we recorded an income from other service businesses of approximately RMB1,920,000, representing an increase of approximately 123.78% as compared to approximately RMB858,000 of last year, mainly attributable to the service income generated from road clearance services for traffic accidents.

### *Cost of Sales and Gross Profit*

During the Reporting Period, our cost of sales and gross profit were approximately RMB706,403,000 and RMB983,133,000 respectively, as compared to those of approximately RMB680,393,000 and RMB951,850,000 of last year, representing a year-on-year increase of approximately 3.82% and 3.29% respectively. Gross profit margin of the Group was approximately 58.19% for the Reporting Period, representing a year-on-year decrease of approximately 0.13 percentage point as compared with approximately 58.32% in the corresponding period of last year. Costs of the Group were mainly incurred from amortisation of intangible assets, staff costs, construction costs, maintenance costs and provisions of the Jihe Expressway and the Deshang and Shennan Expressways.

### *Other Income and Gains*

During the Reporting Period, other income and gains were approximately RMB48,753,000 (as compared to approximately RMB48,171,000 of last year), which mainly comprised the receipt of government grants of RMB16,617,000 and the bank interest income of RMB16,083,000.

## Management Discussion and Analysis

### *Administrative Expenses*

During the Reporting Period, administrative expenses from our operations were approximately RMB74,521,000, representing an increase of approximately 10.53% as compared to approximately RMB67,420,000 of last year. Such increase in administrative expenses was mainly attributable to the professional service fees incurred for the acquisition of the Deshang and Shennan Expressways, together with the inclusion of the administrative expenses of Shandong Gangtong Construction upon acquisition of its entire equity interest. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, transportation expenses and professional fees.

### *Other Expenses*

During the Reporting Period, other expenses were approximately RMB15,647,000, representing a decrease of approximately 47.20% as compared to approximately RMB29,636,000 of last year, which was mainly attributable to the decrease in loss on disposal of property, plant and equipment and intangible assets from those of the previous year.

### *Finance Costs*

During the Reporting Period, our finance costs were approximately RMB114,844,000, representing an increase of approximately 6.62% as compared to approximately RMB107,715,000 of last year. During the Reporting Period, the Debt Assignment Agreements and the Debt Assumption Agreement were entered into for the acquisition of the Deshang and Shennan Expressways pursuant to which we assumed the obligations of principal and interest payments, which resulted in an increase in the Group's finance costs.

### *Share of Profits and Losses of an Associate*

During the Reporting Period, our share of profits and losses of an associate was approximately RMB499,000 (corresponding period of 2019: nil), which represented the share of profits of the Group's associate company in the Reporting Period using equity method. During the Reporting Period, the Group had one associate company operating in the PRC, namely Jinan Xinyue, with 40% of its equity interest is held by Shandong Gangtong Construction. For details, please refer to the sub-section headed "Significant Investments, Material Acquisitions or Disposals of Subsidiaries and Associated Companies – (1) Acquisition of the Entire Equity Interest of Shandong Gangtong Construction" in this section.

### *Profit for the Year*

During the Reporting Period, profit attributable to owners of the parent was approximately RMB620,776,000, representing an increase of approximately 4.20% as compared to that of approximately RMB595,728,000 of last year. The increase in profit for the year was primarily attributable to the development of the construction business in addition to our Expressway Business through the acquisition of Shandong Gangtong Construction which enhanced the Group's profitability. Although the toll income of the Group declined in the first half of 2020 due to the pandemic, the economic recovery, repair work of surrounding roads and exemplification of growth potential of the Deshang and Shennan Expressways in traffic volume in the second half of the year had led to the overall traffic volume of the expressways operated and managed by the Group maintaining at a certain level. In addition, the Group made great efforts in cutting expenditures by the implementation of cost-reduction and efficiency-optimisation measures and utilised its idle funds for wealth management, which enhance its asset value and increased the overall revenue level of the Group.



## Management Discussion and Analysis

### *Liquidity and Financial Resources*

During the Reporting Period, the Group financed its operations and capital expenditures with the Group's internal resources, floating rate bank loans, borrowings from Shandong Hi-Speed Group and proceeds from the Global Offering. As at 31 December 2020, the Group had total loans of approximately RMB3,257,067,000 (31 December 2019: RMB2,541,985,000), which were all denominated in RMB, and total cash and cash equivalents (including bank deposits and cash) of approximately RMB74,731,000 (31 December 2019: RMB1,397,177,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet daily operation needs and any capital requirements for future development. As at 31 December 2020 and 2019, the Group's gearing ratio, as calculated by dividing net debt<sup>(1)</sup> by total capital<sup>(2)</sup>, was approximately 52.33% and 18.79% respectively.

As a result of the pandemic, the net cash flows from operating activities of the Group declined in 2020. However, due to the fact that the Company is an asset-heavy company the costs of which are mainly comprised of depreciation and amortisation expenses, it did not lead to a deficiency in working capital or have any material impact on the Group ability in meeting financial obligations or debt covenants.

#### *Notes:*

(1) *Net debt = total borrowings - cash and cash equivalents*

(2) *Total capital = total equity + net debt*

### *Pledge of Assets and Contingent Liabilities*

As at 31 December 2020, the Group's toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was pledged to secure a bank loan granted by a Lending Bank for the related construction project financing. As at 31 December 2020, the net carrying amount of the toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was RMB2,314,288,000. Save as mentioned above, as at 31 December 2020, the Group had no material contingent liabilities.

### *Employees, Remuneration Policy and Pension Plans*

As at 31 December 2020, the Group had a total of 687 (as at 31 December 2019: 404 (non-restated)) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB131,304,000 (approximately RMB123,903,000 for the corresponding period of last year).

The Group's remuneration for employees includes basic salaries, bonuses and other staff benefits, such as social insurance, housing provident fund, corporate annuity, supplementary medical insurance and group life accident insurance, etc.. In general, the Group remunerates the employees based on their performance, qualification, position and seniority within the Group. The Group also provides the employees with continuing education and regular on-the-job training based on their job duties. In compliance with the requirements of the PRC laws and regulations, the Group contributes to the State-sponsored retirement scheme (i.e. pension insurance) for its employee in the PRC. The Group's employees make monthly contributions to the scheme at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant

## Management Discussion and Analysis

income, subject to certain ceiling. In light of the pandemic, Jinan Social Insurance Affairs Centre (濟南市社會保險事業中心) exempted the Group from such contribution for the period between February and December 2020. The State-sponsored retirement scheme is responsible for all post-employment benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

### *Foreign Exchange Risk*

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

As at 31 December 2020, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES**

### **(1) Acquisition of the Entire Equity Interest of Shandong Gangtong Construction**

On 9 March 2020, following the successful bidding by the Company in a public tender, the Company and Pingyin County Highway Bureau Engineering Company Limited (平陰縣公路局工程有限公司) ("Pingyin County Highway Bureau Engineering") entered into a transaction agreement, pursuant to which the Company agreed to acquire, and Pingyin County Highway Bureau Engineering agreed to sell, the entire equity interest in Shandong Gangtong Construction at a total consideration of RMB25,665,600. The consideration was funded by the internal resources of the Group. Upon completion of the acquisition on 30 March 2020, Shandong Gangtong Construction became a subsidiary of the Company, and Jinan Xinyue, with 40% of its equity interest held by Shandong Gangtong Construction, became an associate of the Company. Shandong Gangtong Construction currently possesses Class B Qualification for General Contracting of Highway Construction (公路工程施工總承包貳級資質), Class B Qualification for Professional Contracting of Highway Pavement Works (公路路面工程專業承包貳級資質), and is principally engaged in the undertaking of highway construction works and the provision of highway construction services and highway maintenance services.

For further details of the above acquisition, please refer to the announcement of the Company dated 9 March 2020.

### **(2) Acquisition of the Toll Collection Rights in Respect of the Deshang Expressway (Liaocheng - Fan County section) and the Shennan Expressway**

On 2 June 2020, Qilu Transportation (as the transferor) and the Company (as the transferee) entered into, among others, the Transfer Agreement, pursuant to which, the Company acquired from Qilu Transportation the Deshang and Shennan Expressways Toll Collection Rights, including the rights in relation to (i) the operation, maintenance and management of the expressways, and (ii) the toll collection

## Management Discussion and Analysis

from vehicles passing along the expressways, but excluding the operational rights in respect of the advertisement business (including the leasing of advertisement billboards built along the expressways and the provision of the related advertisement publication services) and the service facilities business along the expressways. The consideration of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights was RMB2,290 million. Part of the consideration in the amount of RMB941,926,395.60 was funded by the proceeds from the Global Offering, and the remaining balance was funded by the internal resources and bank borrowings of the Group. In accordance with the provisions under the Transfer Agreement, the Company agreed to assume the Assumed Liabilities comprising (i) the total outstanding loans of RMB1,726,374,000 in the facilities provided by the Lending Banks to Qilu Transportation for the Deshang and Shennan Expressways construction projects; and (ii) the total outstanding loans of RMB570,611,303.14 from Qilu Transportation for the Deshang and Shennan Expressways construction projects. The payment of the Assumed Liabilities was funded by the internal resources and bank borrowings of the Group.

Upon completion of the transactions under the Transfer Agreement, the Company had entered into the Debt Assignment Agreements with Qilu Transportation and each of the Lending Banks, pursuant to which, Qilu Transportation agreed to transfer its rights and obligations under the bank facility agreements with the Lending Banks in relation to the Deshang and Shennan Expressways construction projects to the Company with effect from the Transfer Agreement Effective Date, and the Company shall from then be responsible for the repayment of the principal of such bank facilities as well as the interests thereof. The total principal and interest repayable under the Debt Assignment Agreements immediately after the Benchmark Date were RMB1,726,374,000 and RMB354,006,400, respectively.

The Company entered into the Debt Assumption Agreement with Qilu Transportation on 2 June 2020, pursuant to which, the Company agreed to assume, with effect from the Transfer Agreement Effective Date, the loans in the total principal amount of RMB570,611,303.14 (as at the Benchmark Date) provided by Qilu Transportation for the Deshang and Shennan Expressways construction projects and the repayment thereof to Qilu Transportation. The total principal and interest to be repaid under the Debt Assumption Agreement immediately after the Benchmark Date are RMB570,611,303.14 and RMB50,807,453.05, respectively.

Pursuant to the Transfer Agreement, the Company may use the land under the Deshang and Shennan Expressways to maintain normal operation of the expressways during the Transfer Terms. In this regard, in order to ensure the Company's exclusive and unfettered rights to use the land under the Deshang and Shennan Expressways during the Transfer Terms, the Company entered into the Deshang and Shennan Expressways Land Lease Agreement with Qilu Transportation on 2 June 2020 which took effective on the Transfer Agreement Effective Date. Pursuant to the agreement, commenced from the Transfer Agreement Effective Date to the expiry date of the Transfer Terms, the Company shall lease from Qilu Transportation the land use rights in respect of a total of 27 land parcels under the main line and the alongside facilities (excluding advertising and service facilities) of the Deshang and Shennan Expressways with a gross floor area of 5,311,463.30 square metres. The respective annual rental for the land use right in respect of the land under the Deshang Expressway (Liaocheng - Fan County section) and the Shennan Expressway is RMB4,429,890.56 and RMB1,343,670.05, respectively.

## Management Discussion and Analysis

As the acquisition of the Deshang and Shennan Expressways Toll Collection Rights (including the entering into of the above agreements) constituted a very substantial acquisition under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, the acquisition was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 11 August 2020.

On 14 September 2020, the Company received the Decision of Non-Prohibition on Anti-Monopoly Review on Concentration of Operators (Anti-Monopoly Review Decision [2020] No.338) (經營者集中反壟斷審查不予禁止決定書(反壟斷審查決定[2020]338號)) issued by the Administration for Market Regulation Bureau that it has decided not to prohibit the above acquisition after review and allowed the acquisition to be implemented henceforth, and therefore, the transactions under the Transfer Agreement were completed on the same day. Upon completion, all assets, liabilities, businesses, contracts (other than the Excluded Contracts) and related rights and obligations within the scope of the Transfer Interest were entitled to and borne by the Company from the Benchmark Date. Further, as an inalienable part of the Transfer Interest, a total of 41 properties used for management, maintenance and emergency response along the Deshang and Shennan Expressways were transferred to the Company on the same day. The legal titles of the abovementioned properties are borne by the Company thereafter during the Transfer Terms.

In addition, according to the Transfer Agreement, certain consideration adjustments were stipulated therein including, among others, that upon issue of the final financial audit report in respect of the settlement of the Shennan Expressway project, in case that the project settlement amount of the project after deducting the costs for construction of service areas (including but not limited to the preliminary charges, land requisition and demolition fee, construction and installation fee, supervision fee, management payment for the construction entity, loan interests, special assessment fee and other expenses in relation to the construction of service areas) exceeds RMB1,101,657,413.73 (being the estimated project settlement amount adopted in appraised market value of the expressway toll collection rights under the valuation report of the Deshang and Shennan Expressways), Qilu Transportation shall pay the Company the difference, and vice versa. At the same time, the Company shall pay Qilu Transportation the costs which shall be borne by the Company for the performance of the Excluded Contracts after the Benchmark Date.

After completion of the transactions under the Transfer Agreement, according to the financial audit report in respect of the Shennan Expressway project settlement, it was determined that the project settlement amount of the Shennan Expressway project after deducting the costs for construction of service areas was RMB1,046,266,793.57, which was lower than the estimated project settlement amount adopted in the appraised market value of the Deshang and Shennan Expressways Toll Collection Rights under the valuation report (being RMB1,101,657,413.73). Therefore, the parties to the Transfer Agreement determined that, after taking into account the settlement amount of the Shennan Expressway project and other consideration adjustment factors under the Transfer Agreement, the Company shall pay Shandong Hi-Speed Group the consideration adjustment for the acquisition in the amount totalling RMB56,174,914.03. As at the date of this report, the amount in respect of the consideration adjustment has been fully settled.

For further details of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights, please refer to the announcements of the Company dated 2 June 2020, 11 August 2020, 14 September 2020 and 29 December 2020, respectively, and the Acquisition Circular.

## Management Discussion and Analysis

After completion of the Joint Restructuring, in order to implement the spirit of the Joint Restructuring, Shandong Hi-Speed Group, Qilu Transportation and the Company entered into the Tripartite Agreements on 26 November 2020. Pursuant to the agreements, Shandong Hi-Speed Group assumed, among other things, all contractual rights and obligations of Qilu Transportation under the Transfer Agreement, the Debt Assumption Agreement and the Deshang and Shennan Expressways Land Lease Agreement above, the Company shall continue to be bound by the terms and conditions of the above agreements to enjoy all contractual rights against, and perform the obligations thereunder for, Shandong Hi-Speed Group. For further details of the Joint Restructuring and the Tripartite Agreements, please refer to the sub-section headed “Report of the Board of Directors – Joint Restructuring at Shareholder Level” in this report.

### BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB1,689,536,000, representing a year-on-year increase of approximately 3.51%. The Expressway Business remained the Group’s principal business, from which we realised a toll income of approximately RMB1,541,041,000, representing a year-on-year increase of approximately 0.14%; revenue from construction, rental income and other services businesses was approximately RMB148,495,000, representing a year-on-year increase of approximately 59.11%. During the Reporting Period, the Group achieved a profit before tax of approximately RMB827,281,000, representing a year-on-year increase of approximately 4.03%. Profit for the year was approximately RMB620,776,000 (corresponding period of last year: RMB595,728,000), generating earnings per share of approximately RMB0.31 (corresponding period of last year: RMB0.30).

### Expressway Business

In 2020, the Company further strengthened the operational management of the expressway projects in operation. During the Reporting Period, the number of vehicles in-trips reduced due to the pandemic. In addition, the toll-free period for small passenger vehicles during the Lunar New Year extended pursuant to the instruction under the policy of the competent authorities, and toll collection were exempted in accordance with the Notice of the Ministry of Transport on Waiver of Tolls for Vehicles on Toll Roads during COVID-19 Pandemic Prevention and Control Period (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》). The traffic volume on the Jihe Expressway declined by 7.85% from approximately 61,700 vehicles per day for the year ended 31 December 2019 to approximately 56,700 vehicles per day during the Reporting Period and the total toll income decreased by 3.73% to approximately RMB1,049,899,000 during the Reporting Period. Nevertheless, as stated in the sub-section headed “Letter from the Board – Reasons for and Benefits of the Acquisition – The Acquisition of the Target Expressways Toll Collection Rights and Assumption of the Assumed Liabilities” in the Acquisition Circular, the Deshang and Shennan Expressways are an important component of the Shandong 9–5–1–7 Expressway Network, connecting to areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Amid the pandemic, demand for passenger and freight transportation in the surrounding areas drove continued increase in the traffic volume of the Deshang and Shennan Expressways during the Reporting Period. The Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 47,515 and 8,090 vehicles, respectively, per day during the Reporting Period. The Deshang and Shennan Expressways recorded a toll income of RMB491,142,000 during the Reporting Period, representing an increase of 9.54% from that of RMB448,379,000 in 2019.

## Management Discussion and Analysis

Details of the traffic volume<sup>(1)</sup> of the above expressways are set out below:

| <b>Expressways managed<br/>by the Group during the Reporting Period</b> | <b>Total<br/>annual<br/>volume of<br/>passenger<br/>vehicle<br/>traffic<br/>(‘ 000)</b> | <b>Total<br/>annual<br/>volume<br/>of truck<br/>and special<br/>motor<br/>vehicle<br/>traffic<br/>(‘ 000)</b> | <b>Total<br/>annual<br/>traffic<br/>volume<br/>(‘ 000)</b> | <b>Daily<br/>average<br/>traffic<br/>volume<sup>(2)</sup></b> |
|---|---|---|--|---|
| The Jihe Expressway   | 13,798  | 6,960   | 20,758   | 56,716  |
| The Deshang Expressway (Liaocheng –<br>Fan County section)              | 9,125   | 8,266   | 17,391   | 47,515  |
| The Shennan Expressway  | 1,432   | 1,530   | 2,961  | 8,090   |

Notes:

- (1) The statistical scope of traffic volume covers data of vehicles on the Group’s managed expressways with profit sharing in the expressway network. Traffic volume does not include toll-free vehicles.

The traffic volume includes data of the following four types of vehicles:

- ① Vehicles passing the toll stations at both entrance and exit on the expressways managed by the Group;
- ② Vehicles passing the toll stations at entrance on the expressways not managed by the Group but passing the toll stations at exit on the expressways managed by the Group;
- ③ Vehicles passing the toll stations at entrance on the expressways managed by the Group but passing the toll stations at exit on the expressways not managed by the Group; and
- ④ Vehicles passing driving on the expressways managed by the Group but not passing the toll stations at entrance or exit on the expressways managed by the Group.

The expressways managed by the Group as mentioned above refer to the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway.

- (2) Average daily traffic volume is calculated by dividing the traffic volume on the respective expressways managed by the Group in the Reporting Period by the number of days of the Reporting Period.



## Management Discussion and Analysis

Other than the foregoing, the traffic volume and the corresponding toll income of the Jihe Expressway and the Deshang and Shennan Expressways during the Reporting Period were also affected by the combined factors of the following:

- (1) owing to the pandemic, the Ministry of Transport introduced corresponding traffic policy on pandemic prevention and control. First, the end date of the toll-free period for small passenger vehicles with 7 seats or fewer during the Lunar New Year holiday commenced at 00:00 on 24 January 2020 was extended from 24:00 on 30 January 2020 to 24:00 on 8 February 2020. Second, in accordance with the Notice of the Ministry of Transport on Waiver of Tolls for Vehicles on Toll Roads during COVID-19 Pandemic Prevention and Control Period (Jiao Gong Lu Ming Dian [2020] No. 62) 《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電[2020]62號), with effect from 00:00 on 17 February 2020 and ended at 00:00 on 6 May 2020, toll fees were waived for all vehicles passing through toll roads (including toll bridges and tunnels) constructed pursuant to the approval granted under the provisions under the Highway Law of the People's Republic of China 《中華人民共和國公路法》 and the Regulation on the Administration of Toll Roads 《收費公路管理條例》;
- (2) due to the pandemic, all local PRC governments have taken stringent prevention and control measures. As the logistics industry was significantly affected, the toll income fell sharply in January 2020. In December 2020, there remained sporadic cases in some regions, which had adverse impact to the logistics industry;
- (3) Shandong provincial government authorities introduced policies to offer toll discounts for trucks, which has adverse impact on our toll income. First, according to the relevant requirements of the Notice of the Shandong Provincial Traffic Department on Optimising and Improving Toll Rates for Trucks on Expressways (Lu Jiao Cai Han [2020] No.20) 《山東省交通運輸廳關於優化完善高速公路貨車收費標準的通知》(魯交財函[2020]20號), effective from 15 February 2020, trucks in Class 3, Class 4, Class 5 and Class 6 driving on the Jihe Expressway and the Deshang Expressway (Liaocheng – Fan County section) are offered 2%, 6%, 5% and 1% discount, respectively; and trucks in Class 3, Class 4 and Class 5 driving on the Shennan Expressway are offered 6%, 7% and 7% discount, respectively. Second, according to the Notice of the Shandong Provincial Traffic Department, the Shandong Provincial Development and Reform Committee and the Shandong Provincial Finance Department on Offering Expressway Toll Discounts for Certain Trucks 《山東省交通運輸廳山東省發展和改革委員會山東省財政廳關於對部分貨車實行高速公路通行費折扣優惠的通知》, from 1 September 2020 to 30 June 2021, a 15% discount on toll fee is offered for trucks with an ETC device set installed driving on expressways in Shandong Province;
- (4) with the commissioning of the adjacent expressways and national and provincial highways, for instance, G220 Expressway was gradually completed and open to traffic, Shenfan Road (莘范路) (G240 Expressway, Shen County – Fan County section) was open to traffic in October 2020 and Dongliang Expressway (董梁高速) was commissioned in October 2020, the traffic flows of the Jihe Expressway and the Deshang and Shennan Expressways were diverted to a certain extent; and
- (5) other than the above negative impacts, there were factors positive to the traffic volume and toll income of the Jihe Expressway, such as the full reopening of the Jinan – Qingdao section of G20 Qingyin Expressway since 15 December 2019 and the implementation of traffic control at the Mount Taishan Hub – Zaozhuang section (Shandong – Jiangsu boundary) of G3 Jingtai Expressway since 1 September 2019.

## Management Discussion and Analysis

### *Toll Collection Policy*

Effective from 1 January 2020, expressways in Shandong province have commented collection of tolls based on new classification of vehicles models. The toll rates of the Jihe Expressways are subject to the Notice on Matters Related to Expressway Tolls (Lu Jiao Cai [2020] No.1) 《關於高速公路通行費有關事項的通知》(魯交財[2020]1號)). The re-determined classification of vehicle types shall be conducted pursuant to the Notice on Matters Related to the Implementation of the Industry Standards (JT/T489-2019) for “Vehicle Classification of the Toll for Highway” (Jiao Ban Gong Lu [2019] No.65) 《關於貫徹〈收費公路車輛通行費車型分類〉行業標準(JT/T489-2019)有關問題的通知》(交辦公路[2019]65號)). Meanwhile, according to the Notice of the Shandong Provincial Traffic Department on Optimising and Improving Toll Rates for Trucks on Expressways (Lu Jiao Cai Han [2020] No.20) 《山東省交通運輸廳關於優化完善高速公路貨車收費標準的通知》(魯交財函[2020]20號)), effective from 15 February 2020, some trucks are offered discounts on toll rates in Shandong Province.

In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial Traffic Department on Clarifying Expressway ETC Preferential Policy (Lu Jiao Cai [2019] No.26) 《山東省交通運輸廳關於明確高速公路ETC優惠政策的通知》(魯交財[2019]26號)), a toll fee discount of 5% is given to all ETC vehicles driving on expressways in Shandong province; (ii) the toll exemption for vehicles of the military and armed police forces and the like; (iii) the toll exemption for small passenger vehicles with 7 seats or fewer on major festivals and holidays; (iv) pursuant to the Notice of the Shandong Provincial Traffic Transport Department on Optimising and Improving Toll Rates for Trucks on Expressways (Lu Jiao Cai Han [2020] No.20) 《山東省交通運輸廳關於優化完善高速公路貨車收費標準的通知》(魯交財函[2020]20號)), with effect from 15 February 2020, some trucks are given discounts on toll rates in Shandong Province; (v) according to the relevant provisions of Notice of the Shandong Provincial Traffic Department, the Shandong Provincial Development and Reform Committee and the Shandong Provincial Finance Department on Offering Expressway Toll Discounts for Certain Trucks (Lu Jiao Fa [2020] No. 10) 《山東省交通廳山東省發展和改革委員會山東省財政廳關於對部分貨車實行高速公路通行費折扣優惠的通知》(魯交發[2020]10號)), during the period between 1 September 2020 and 30 June 2021, a 15% discount on toll fee is offered for trucks with an ETC device set installed driving on expressways in Shandong Province; (vi) the toll exemption for vehicles legally fully loaded with the products within the national Catalogue of Fresh and Alive Agricultural Products 《鮮活農產品品種目錄》; and (vii) the toll exemptions for vehicles as required by other national policies.

### **Rental Income**

During the Reporting Period, rental income mainly represented the revenue from the Advertisement Business. As at the end of the Reporting Period, there were 49 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of our revenue during the Reporting Period. Meanwhile, the Group also actively nurtured new drivers for profit growth for the Advertisement Business. In July 2020, we built a new LED advertising media which has already been put into use.

## Management Discussion and Analysis

### Construction Business

#### *The Changqing University Science Park Interchange Project*

Due to the pandemic, construction workers abroad were unable to timely resume work and suppliers of raw materials failed to carry out production as scheduled. To address such difficulties, we stringently implemented the required pandemic prevention and control work and proactively promoted the resumption of work and production and 20 February 2020, we obtained the governmental approval for resumption of work. Thereupon, we focused our effort on the management of construction progress, environmental protection, safety, quality and other areas. As at the end of the Reporting Period, the constructions projects were basically completed. The Company will further cooperate with the local government in promoting coordination, and make rational arrangement for the rest of project construction and the commissioning according to the progress of coordination work.

#### *Shandong Gangtong Construction*

During the Report Period, Shandong Gangtong Construction was proactive in securing projects for construction. On 17 June 2020, it was awarded the bid for the construction project of “four-good rural roads (四好農村路)” in Pingyin County in 2020 (at the bid price of RMB114,913,569). On 22 October 2020, it was awarded the bid for the construction of emergency roads in Pingyang County for the prevention of floods from the Yellow River (at the bid price of RMB149,975,075.11).

To overcome the pandemic impact, Shandong Gangtong Construction firmly focused on the resumption of work and production and increased its effort in addressing a number of difficulties and problems at the construction sites such as slow demolition, excessive pipelines, serious pollution and suspension of work in bad weather. By adhering to precise implementation of measures, endeavouring in organisation and coordination work, further optimising construction plan, making better deployment and use of mechanical equipment and materials, imposing strict control on construction procedures, quality, safety, environmental protection and other aspects, Shandong Gangtong Construction pressed ahead with the “four-good rural roads (四好農村路)” project and successfully achieved the construction targets of controlling construction period, saving cost and ensuring quality.

Shandong Gangtong Construction will further enhance the connection and communication with local governments, intensify its effort in market expansion, strengthen external cooperation, vigorously secure construction projects, make rational arrangement for construction plan, speed up the construction progress of awarded projects and promote high-quality corporate development.

### PROSPECTS

In 2020, the Group is set to adapt to the changes arising from the impact from the pandemic. We take advantage of our robust information management system and adopt scientific technique to increase our operational and management efficiency, centralise the management of the Expressway Business and unify the planning of road operation. We also strengthen the management of maintenance and standardise our maintenance operation, in order to handle and eliminate hidden dangers in a timely manner and increase road capacity. In the ensuing year, we will further strengthen our management of toll collection operation and maintenance in an effort to bring enhanced experience to road users.

## Management Discussion and Analysis

In 2021, by leveraging on the listing platform of the Stock Exchange and fully capitalising on Hong Kong's position as an international financial centre, the Company will actively seek to benchmark itself with advanced listed industry players. While strengthening our principal Expressway Business, we will embrace the corporate positioning and strategic goals of Qilu Expressway and target at international frontiers, modern technology, information technology, industrial future and other high-end sectors, so as to aggressively explore new models for business development, identify market-oriented investments, further strengthen capital operation, expand business scale, and promote high-quality development of the Company.

### EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the Reporting Period required to be disclosed as at the date of this report.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares have been listed and traded on the Stock Exchange since 19 July 2018. After deducting the related expenses, the Company received net proceeds from the Global Offering of approximately HK\$1,177 million.

As disclosed in the Acquisition Circular, the Company intended to apply the remaining balance of the proceeds from the Global Offering (being RMB941,926,395.60) in full to settle part of the consideration under the acquisition of the Deshang and Shennan Expressways Toll Collection Rights. The change of use of proceeds from the Global Offering was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 11 August 2020 as stated in the announcement of the Company dated 11 August 2020.

As at 31 December 2020, the remaining balance of the proceeds from the Global Offering (being RMB941,926,395.60) has been fully utilised for the settlement of part of the consideration under the acquisition of the Deshang and Shennan Expressways Toll Collection Rights.

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2020.

## CORPORATE GOVERNANCE

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

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code. Throughout the Year, the Company has been in compliance with the applicable code provisions of the Corporate Governance Code.

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

## THE BOARD

### Duties and Division of Responsibilities

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

## Corporate Governance Report

### Chairman of the Board and General Manager

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

### Composition of the Board

As at 31 December 2020, the Board was comprised of fifteen Directors, including three executive Directors, namely Mr. Li Gang (Chairman of the Board), Mr. Peng Hui (General Manager) and Mr. Liu Qiang; seven non-executive Directors, namely Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Yuan Ruizheng and Mr. Tang Haolai; and five independent non-executive Directors, namely Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping. Brief biographies of the Directors are set out in the section headed “Profiles of Directors, Supervisors and Senior Management” in this report.

During the Year, the Board has complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules to have at least three independent non-executive Directors and at least one of the independent non-executive Directors having the appropriate professional qualifications or accounting or related financial management expertise. Besides, Rule 3.10A of the Listing Rules stipulates that independent non-executive directors shall represent at least one-third of the board. The Company had five independent non-executive Directors, representing one-third of the total number of Directors; therefore, the Company has been in compliance with the relevant requirements.

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

### Time Commitment of Directors

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



## Corporate Governance Report

### Training and Professional Development of Directors

During the Year, all Directors have received trainings in the written form or by participating in seminars. The Directors shall be updated with the latest developments in legal and regulatory systems and the operation of the Company to facilitate the performance of their duties. Trainings are also provided for the Directors when necessary to ensure that the Directors have a proper understanding of the business and operation of the Group, and are fully aware of their responsibilities and obligations under the Listing Rules and the applicable legal requirements.

The individual training record of each Director received in the Year is summarised below:

| <b>Name</b>                                       | <b>Attending or participating in seminars/reading materials relevant to the director's responsibilities</b> |
|---|---|
| <b><i>Executive Directors</i></b>                 |   |
| Mr. Li Gang ( <i>Chairman of the Board</i> )      | ✓   |
| Mr. Peng Hui                                      | ✓   |
| Mr. Liu Qiang                                     | ✓   |
| <b><i>Non-executive Directors</i></b>             |   |
| Mr. Chen Dalong                                   | ✓   |
| Mr. Wang Shaochen                                 | ✓   |
| Mr. Zhou Cenyu                                    | ✓   |
| Mr. Su Xiaodong                                   | ✓   |
| Ms. Kong Xia                                      | ✓   |
| Mr. Tang Haolai                                   | ✓   |
| <b><i>Independent Non-executive Directors</i></b> |   |
| Mr. Cheng Xuezha                                  | ✓   |
| Mr. Li Hua  | ✓   |
| Mr. Wang Lingfang                                 | ✓   |
| Mr. He Jiale                                      | ✓   |
| Mr. Han Ping                                      | ✓   |

## Corporate Governance Report

### Meetings of the Board

Unless otherwise provided by the Articles of Association, a Board meeting shall only be held if more than one half of the Directors are present. A Director who is unable to attend a Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. An extraordinary Board meeting may be held and concluded resolutions through video conference, phone telephone or using written circulations. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have abstained his voting right thereat. The Board shall prepare minutes of Board meetings after the meetings are concluded to record the matters resolved. The minutes shall be signed by all the Directors who attended the meetings and the persons who prepared the minutes.

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

During the Year, the Board convened 10 meetings. The attendance record of the Directors at the Board meetings convened in the Year is as follows:

| Name   | Number of meetings attended/Number of meetings held during the Director's term of office | Number of meetings attended by appointing another Director as proxy | Attendance rate |
|--|--|---|-----------------|
| <b>Executive Directors</b>                     |  |   |                 |
| – Mr. Li Gang ( <i>Chairman of the Board</i> ) | 10/10  | 0   | 100%            |
| – Mr. Peng Hui                                 | 10/10  | 0   | 100%            |
| – Mr. Liu Qiang                                |  |   |                 |
| <b>Non-Executive Directors</b>                 |  |   |                 |
| – Mr. Chen Dalong                              | 10/10  | 0   | 100%            |
| – Mr. Wang Shaochen                            | 10/10  | 0   | 100%            |
| – Mr. Zhou Cenyu                               | 10/10  | 0   | 100%            |
| – Mr. Su Xiaodong                              | 10/10  | 0   | 100%            |
| – Ms. Kong Xia                                 | 10/10  | 0   | 100%            |
| – Mr. Tang Haolai                              | 9/10   | 1   | 90%             |
| <b>Independent Non-Executive Directors</b>     |  |   |                 |
| – Mr. Cheng Xuezhao                            | 10/10  | 0   | 100%            |
| – Mr. Li Hua                                   | 10/10  | 0   | 100%            |
| – Mr. Wang Lingfang                            | 10/10  | 0   | 100%            |
| – Mr. He Jiale                                 | 10/10  | 0   | 100%            |
| – Mr. Han Ping                                 | 10/10  | 0   | 100%            |

## Corporate Governance Report

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

| Name   | Number of meetings<br>attended/Number of<br>meetings held<br>during the Director's<br>term of office | Attendance rate |
|--|--|-----------------|
| <b>Executive Directors</b>                     |  |                 |
| – Mr. Li Gang ( <i>Chairman of the Board</i> ) | 2/2  | 100%            |
| – Mr. Peng Hui                                 | 2/2  | 100%            |
| – Mr. Liu Qiang                                | 2/2  | 100%            |
| <b>Non-Executive Directors</b>                 |  |                 |
| – Mr. Chen Dalong                              | 2/2  | 100%            |
| – Mr. Wang Shaochen                            | 2/2  | 100%            |
| – Mr. Zhou Cenyu                               | 2/2  | 100%            |
| – Mr. Su Xiaodong                              | 2/2  | 100%            |
| – Ms. Kong Xia                                 | 2/2  | 100%            |
| – Mr. Tang Haolai                              | 2/2  | 100%            |
| <b>Independent Non-Executive Directors</b>     |  |                 |
| – Mr. Cheng Xuezhao                            | 2/2  | 100%            |
| – Mr. Li Hua                                   | 2/2  | 100%            |
| – Mr. Wang Lingfang                            | 2/2  | 100%            |
| – Mr. He Jiale                                 | 2/2  | 100%            |
| – Mr. Han Ping                                 | 2/2  | 100%            |

## Corporate Governance Report

### Board Committees

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

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

| Name   | Number of meetings attended/Number of meetings held<br>during Director's term of office |  |                         |                       |
|--|---|--|-------------------------|-----------------------|
|  | Audit<br>Committee  | Remuneration<br>and Appraisal<br>Committee | Nomination<br>Committee | Strategy<br>Committee |
| <b>Executive Directors</b>                     |   |  |                         |                       |
| – Mr. Li Gang ( <i>Chairman of the Board</i> ) | –   | –  | 2/2                     | 1/1                   |
| – Mr. Peng Hui                                 | –   | –  | –                       | 1/1                   |
| – Mr. Liu Qiang                                | –   | –  | –                       | 1/1                   |
| <b>Non-Executive Directors</b>                 |   |  |                         |                       |
| – Mr. Wang Shaochen                            | 3/3   | –  | –                       | 1/1                   |
| <b>Independent Non-Executive Directors</b>     |   |  |                         |                       |
| – Mr. Cheng Xuezhao                            | –   | 2/2  | 2/2                     | –                     |
| – Mr. Li Hua                                   | 3/3   | 2/2  | 2/2                     | 1/1                   |
| – Mr. Wang Lingfang                            | –   | 2/2  | 2/2                     | –                     |
| – Mr. He Jiale                                 | 3/3   | –  | –                       | –                     |

### Audit Committee

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

## Corporate Governance Report

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

During the Year, the Audit Committee convened 3 meetings to, among other things, review the financial results of the Group for the year ended 31 December 2019 and the financial results of the Company for the six months ended 30 June 2020 before submission to the Board for approval, discuss the proposal for the re-appointment of auditor for the year, discuss and consider the audit plan of the auditor for the year, and discuss the risk management and internal control systems of the Group currently in force.

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

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

### Remuneration and Appraisal Committee

The major responsibilities and authorisations of the Remuneration and Appraisal Committee include: (1) evaluating the remuneration structures and policies for all Directors and senior management of the Company and providing advice to the Board on establishing of formal and transparent procedures for the formulation of remuneration policy; (2) studying the policy and structure of the remunerations (including non-monetary benefits, pensions and allowances) of Directors, Supervisors and senior management and formulating the procedures for remuneration policy, and providing advice to the Board in this regard; (3) making recommendations to the Board on the remuneration of non-executive Directors; (4) reviewing and approving the compensation arrangements for Directors who are dismissed or removed due to their misconduct so as to ensure that the arrangements are consistent with the contractual terms or are otherwise reasonable and appropriate if not consistent with the contractual terms; and (5) monitoring the implementation of the remuneration policy for Directors, Supervisors and senior management of the Company. The terms of reference of the Remuneration and Appraisal Committee are available on the websites of the Company and the Stock Exchange.

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

During the Year, the Remuneration and Appraisal Committee convened 2 meetings to discuss the remuneration packages of Directors and senior management and make recommendations to the Board in this regard.

## Corporate Governance Report

In accordance with paragraph B.1.5 of the Corporate Governance Code, the remunerations of the senior management by remuneration band for the year ended 31 December 2020 are set out below:

| <b>No. (Notes)</b> | <b>Remuneration band<br/>(RMB)</b> | <b>Number of persons</b> |
|--------------------|------------------------------------|--------------------------|
| 1                  | 0 – 500,000                        | 24                       |
| 2                  | 500,001 – 1,000,000                | 5                        |

*Notes:*

No.1 includes 12 Directors, 8 Supervisors and 4 members of the senior management;

No.2 includes 3 Directors and 2 members of the senior management.

Further details of the remunerations of the Directors and the five highest-paid employees as required to be disclosed under Appendix 16 to the Listing Rules are set out in Notes 8 and 9 to the financial statements for the Year.

### Nomination Committee

The responsibilities and authorisations of the Nomination Committee include: (1) reviewing the criteria and procedures for selection of Directors and senior management, and their structure, size and composition (including the skills, knowledge and experience) annually, and making recommendations on any proposed changes to Directors and senior management to complement the Company's strategy; (2) identifying individuals suitably qualified to become Board and senior management members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (3) making recommendations to the Board on the appointment, re-appointment and succession planning for Directors and senior management; (4) assessing the independence of independent non-executive Directors; and (5) performing other duties delegated by the Board. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Directors, namely Mr. Li Gang, being the chairman of the Board, and Mr. Cheng Xuezhao, Mr. Li Hua and Mr. Wang Lingfang, being independent non-executive Directors. Independent non-executive Directors represent a majority of the committee. Mr. Li Gang, the chairman of the Board, acts as the chairman of the committee.

During the Year, the Nomination Committee mainly performed the following tasks: assessed the suitability of the candidates nominated for the appointment as Directors, Supervisors or senior management of the Company and made recommendations to the Board on the appointment of the them, and reviewed the composition of the Board in accordance with the requirements of the Board Diversity Policy of the Company.

During the Year, the Nomination Committee held 2 meetings to discuss the nomination policy, the independence of independent non-executive Directors, and the eligibility of candidates for the appointment as senior management of the Company.



## Corporate Governance Report

### Strategy Committee

The major responsibilities and authorisations of the Strategy Committee include: (1) studying and making recommendations on the long-term development strategy of the Company; (2) studying and making recommendations on major investment and financing plans that are subject to approval of the Board as required by the Articles of Association; (3) studying and making recommendations on major capital operation and asset operation that are subject to approval of the Board as required by the Articles of Association; (4) studying and making recommendations on other significant matters affecting the development of the Company; (5) inspecting the implementation of the above matters; and (6) performing other duties delegated by the Board. The terms of reference of the Strategy Committee are available on the websites of the Company and the Stock Exchange.

The Strategy Committee comprises five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director, namely Mr. Li Gang, being the chairman of the Board, Mr. Peng Hui, being the president, Mr. Liu Qiang, Mr. Wang Shaochen and Mr. Li Hua. Mr. Li Gang, the chairman of the Board, acts as the chairman of the committee.

During the Year, the Strategy Committee held 1 meeting to discuss the investment plan of the Company for 2020.

### Diversity of the Board

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

## DIRECTORS

### Appointment and Re-election of Directors

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

Chairman of the Board and vice chairman of the Board shall be elected and removed by more than one half of the members of the Board, with a term of office of three years, and may be re-elected upon the expiration of term.

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

None of the Directors has entered or proposed to enter into a service contract with any member of the Group, excluding those contracts expiring within one year or determinable by the relevant employers within one year without payment of compensation (other than statutory compensation).

## Corporate Governance Report

### Nomination of Directors

In accordance with the Articles of Association, candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by Shareholder(s) individually or in aggregate holding more than 3% of the Shares of the Company. The Board shall verify the qualifications and conditions of the candidates of Directors, and a written resolution shall be proposed at a general meeting for approval after confirmed by way of a board resolution.

### Independence of Independent Non-executive Directors

The Company currently has five independent non-executive Directors, and none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirements of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business or financial interest in the Company or its subsidiaries, or holds any management position in the Company.

Each of the four independent non-executive Directors has given the Company a written confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and to the best knowledge of the Board, all current independent non-executive Directors are independent and are in compliance with the requirement of Rule 3.13 of the Listing Rules.

### Compliance with the Model Code

For the Year, the Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all the Directors and Supervisors, it was confirmed that the Directors and Supervisors have complied with the Model Code in relation to securities transactions by the Directors and its own standards of code of conduct and there has not been any non-compliance with the relevant requirements of the Model Code.

### Directors' Responsibilities for Preparation of Financial Statements

The Directors acknowledge their responsibilities for preparing financial statements of the Group in accordance with the relevant statutory requirements and generally accepted accounting principles in Hong Kong and ensuring that the financial statements give a true and fair view of the Group's financial position.

As stated in the notes to the financial statements in this report, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB343,721,000, primarily due to the expenditure incurred on the acquisition of the Deshang and Shennan Expressways. As at 31 December 2020, the total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of the Deshang and Shennan Expressways amounted to RMB463,796,000.

## Corporate Governance Report

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and it is appropriate to prepare the financial statements on a going concern basis.

According to Code Provision C.1.1 of the Corporate Governance Code, management shall provide sufficient explanation and information to the Board so that the Board can make an informed assessment of financial and other information before such information is submitted to the Board for approval. The Company shall also provide all members of the Board with monthly updates on the performance, position and prospects of the Group.

### SHAREHOLDERS AND GENERAL MEETINGS

#### Particulars of Controlling Shareholders and Ultimate Controlling Shareholder

During the Reporting Period, the controlling Shareholders of the Company were Shandong Hi-Speed Group Company Limited, COSCO SHIPPING, China Ocean Shipping Company Limited (“China Ocean Shipping”) and COSCO SHIPPING (Hong Kong). On 1 March 2021, China Ocean Shipping entered into a gratuitous transfer agreement with China Shipping, pursuant to which, China Ocean Shipping transferred all equity interests by held by it in COSCO SHIPPING (Hong Kong) to China Shipping. Such transfer was completed on 19 March 2021. Since then, China Shipping became one of the Company’s controlling Shareholders in place of China Ocean Shipping.

The controlling Shareholders of the Company are Shandong Hi-Speed Group Company Limited, Qilu Transportation, China COSCO Shipping Corporation Limited, China Ocean Shipping Company Limited and COSCO SHIPPING (Hong Kong) Co., Limited.

The Company operates its business independently from its controlling Shareholders and has separate personnel, organisation, assets and business. The behaviours of the controlling Shareholders are regulated, and they have not directly or indirectly intervened the operation and decision-making of the Company without the approval at general meetings of Shareholders.

Shareholdings of the substantial Shareholders and details of the Non-Competition Agreement and Undertaking of the controlling Shareholders during the Year are set out in the section headed “Report of the Board of Directors” in this report.

#### General Meetings

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

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

## Corporate Governance Report

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

### CONTROL SYSTEM

#### Supervisory Committee

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to general meetings. The Supervisory Committee exercise its supervisory power independently in accordance with the laws to protect the legitimate interests of Shareholders and the Company.

The functions and duties of the Supervisory Committee include (but are not limited to): (1) reviewing the financial statements, business reports and profit distribution plans prepared by the Board, and engaging certified accountants or certified auditors to re-examine the Company's financial information if in doubt; (2) supervising the financial activities of the Company; (3) demanding the rectification of acts of Directors, general manager and senior management which are against the interests of the Company; and (4) exercising other powers, authorities and duties delegated by the Articles of Association.

As at 31 December 2020, the Supervisory Committee comprises eight members, including three employee representative Supervisors (namely Mr. Hao Dehong, Ms. Hou Qinghong and Mr. Wang Shun), three shareholder representative Supervisors (namely Ms. Meng Xin, the chairman of the Supervisory Committee, Mr. Wu Yongfu and Mr. Zhang Yin) and two independent Supervisors (namely Mr. Li Ruzhi and Mr. Meng Qinghui).

Supervisors who are representatives of the Shareholders shall be elected and removed at a general meeting. Employee representative Supervisors shall be elected and removed at an employee representative meeting, employee general meeting or through other democratic procedures. Each Supervisor shall have a term of office of three years, commencing from the date of passing the relevant resolution at the general meeting or employee representative meeting until the expiration of the term of the Supervisory Committee, and is eligible for re-election upon the expiration of term of office.

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

During the Year, the Supervisory Committee convened 2 regular meetings, to review the production and operation of the Company, procedures for decision-making, compliance of operations, financial position and regulated management of internal control, to supervise the performance of duties by the Directors and senior management of the Company, and to discuss and review the financial report, business report and profit distribution plan to be submitted by the Board for approval at the general meeting.

#### Internal Control and Risk Management

The Board shall perform operational decision-making and is committed to establishing and improving the measures and plans for internal control and risk management. It shall also supervise the implementation of the risk management and internal control system, so as to safeguard the investment of Shareholders and the assets of the Group.

## Corporate Governance Report

The Board recognises it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibility (together with the relevant authority) for risk management and internal control to the Audit Committee. The Audit Committee is responsible for supervising the design, implementation and monitoring of the management in respect of risk management and internal control systems. The management has confirmed to the Audit Committee (and the Board) the effectiveness of such systems for the year ended 31 December 2020.

### Key Features of Risk Management and Internal Control Systems

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

Scope of responsibilities:

#### *Board*

1. Be responsible for the risk management and internal control systems and continuously review their effectiveness, to ensure that the Company can establish and maintain effective risk management and internal control systems;
2. Review the risk management and internal control systems of the Company at least once every year, and ensure that at each review, the Company has sufficient resources, staff qualifications and experience, staff training programmes and relevant budgets in terms of accounting, internal audit and financial reporting functions. In case of additional matters that need to be reported, the chairman of the Board shall determine whether to report such matters to the Board;
3. Supervise the design, implementation and monitoring of the management in respect of the risk management and internal control systems.

#### *Audit Committee*

1. Review and assess the completeness and effectiveness of the financial control, internal control and risk management systems, mechanisms and regimes;
2. Evaluate the risk management and internal control assessment and audit results, and supervise the improvement regarding risk management and internal control defects;
3. Discuss with management about the internal control system to ensure that the management has set up an effective internal control system. The discussion shall cover the sufficiency of resources and staff qualifications and experience of accounting and financial reporting functions, and the adequacy of staff trainings and relevant budgets;
4. Study, either initiatively or as assigned by the Board, the important review results related to risk management and internal control matters and the management's feedback about such review results.

## Corporate Governance Report

### *Management*

1. Be responsible for the risk management and internal control, and manage the affairs in connection therewith;
2. Report the information about risk management and internal control to the Board and the Audit Committee.

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

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

### **Specific procedures for identification, assessment and management of material risks**

#### *1. Risk identification*

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

#### *2. Risk assessment*

Assess risks identified and classify them by risk level.

#### *3. Risk response*

Select a response strategy according to the risk level, and the risk management department tracks the effectiveness of such response strategy. At the same time, formulate relevant countermeasures to avoid recurrence of and to mitigate the risks.

#### *4. Risk monitoring*

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

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



## Corporate Governance Report

### Internal Audit Function

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

### Handling and Dissemination of Inside Information

In respect of the procedures for and internal control of handling and dissemination of inside information, the Company:

1. acknowledges its responsibilities under the SFO and the Listing Rules, the most important principle of which provides that where relevant information is determined as inside information, an announcement shall be published as soon as reasonably and practicably feasible; and
2. pays close attention to the applicable laws and regulations when handling with such information.

A self-evaluation report has been prepared by the Board in respect of the risk management and internal control matters of the Company during the Year. The Board has reviewed the control systems of the Company and is of the view that during the Year, such systems were effective and adequate and management of the Company should further perfect its risk management and internal control systems to promote a higher standard of corporate governance.

### AUDITORS AND THEIR REMUNERATIONS

The remunerations paid or payable to the Company's auditors during the Year are set out as follows:

| <b>Service provided</b> | <b>Fee paid or payable</b> |
|-------------------------|----------------------------|
|                         | <b>RMB' 000</b>            |
| Audit fee               | 1,070                      |
| Non-audit fee           |                            |
| – Interim review        | 380                        |

## Corporate Governance Report

### JOINT COMPANY SECRETARIES

Mr Lian Shengguo (“**Mr. Lian**”) and Ms. So Shuk Yi Betty (“**Ms. So**”) have served as the joint company secretaries of the Company since 17 June 2018.

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

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

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

### SHAREHOLDERS’ RIGHTS AND INVESTOR RELATIONSHIP

#### Procedures for Convening Extraordinary General Meeting

Shareholder(s) individually or in aggregate holding more than ten percent (10%) of the Company’s Shares may request the Board to convene an extraordinary general meeting or a class meeting of Shareholders, which shall be made to the Board in writing. The Board shall, according to the laws, administrative regulations and provisions of the Articles of Association, give written feedback on whether it agrees or disagrees to convene an extraordinary general meeting or class meeting of Shareholders within ten (10) days after receiving the request.

#### Procedures for Making Enquiry to the Board

The shareholder communication policy of the Company aims to maintain transparency and provide information about major developments of the Group to shareholders and investors in a timely fashion. General meetings are the formal channel of communication of the Company with shareholders and the Board. Chairman of the Board and chairmen of board committees (or another member of the respective committee if he fails to attend the meeting) will attend general meetings to have direction communication with Shareholders.

Shareholders may make their enquiries and questions to the Board by sending to the Board’s office at the following address:

Address: Room 2212, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road,  
Hi-tech Zone, Jinan City, Shandong Province, the PRC  
Telephone: 86-531-87207088

#### Procedures for Making Proposals at General Meetings

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

## Corporate Governance Report

### Amendments to the Constitutional Documents

During the Year, the Company made no amendments to the Articles of Association.

### Communication with Investors and Investor Relationship

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

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

In conducting investor relation activities, the Board's office is dedicated to investor relation management. The channels adopted by it mainly includes: answering phone call and e-mail enquiries through investor hotline and e-mail; hosting site visits for investors and securities analysis agencies; participating in investor promotion activities; organising roadshows; providing particulars about the Company, information disclosure and corporate governance through company website.

# Profiles of Directors, Supervisors and Senior Management

As at the date of this report, brief biographies of the Directors, Supervisors and senior management of the Company are as follows:

## DIRECTORS

### (1) Executive Directors

**Mr. Li Gang (李剛)**, aged 52, is currently the chairman of the Board, an executive Director and the secretary of the party committee of the Company.

Mr. Li has over 30 years of related working 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 (濟南市公路管理局) 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 a member of the party committee of Jinan Highway Administration Bureau (濟南市公路管理局) from January 2004 to March 2008, during which he has also been the chairman of the board of directors of Jinan Jinhong Construction Consulting Co., Ltd. (濟南金鴻建設諮詢有限公司). Mr. Li joined the Company in December 2007 and acted as a Director and the deputy general manager of the Company. He served as a Director, the deputy general manager and secretary of the party committee of the Company from March 2008 to April 2011. He was the executive deputy general manager and secretary of the party committee of the Company from April 2011 to November 2014. Mr. Li has served as the chairman of the Board and secretary of the party committee of the Company 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 Jinan Highway Administration Bureau (濟南市公路管理局) in January 2004. He was rewarded May 1 Labour Medals of Jinan by Jinan Workers' General Union (濟南市總工會) in April 2006. Mr. Li received the second individual prize from Shandong Workers' General Union (山東省總工會) and the Shandong Transport Department in a campaign regarding the construction of major transport projects in Shandong in June 2006. In March 2008, the thesis titled "Opinions on the Improvement of Toll Collection Management and Services of Expressways" (《關於加強高速公路收費管理提高服務質量的幾點思考》) compiled by Mr. Li jointly with Li Huaqing, Han Chunhua and Yang Kun was praised as an outstanding thesis for academic exchange for 2007 by Shandong Highway Society.

Mr. Li graduated from Jinan Jiaotong College (濟南交通學校) under the Ministry of Communications (MOC) in Jinan of the PRC in July 1988, majoring in finance and accounting, and received a technical secondary school academic qualification. He was qualified as an assistant accountant by the Ministry of Finance (MOF) in December 1992. Mr. Li studied in Shandong Cadres Correspondence University (山東幹部函授大學) in Jinan of the PRC in June 1997, majoring in financial accounting, and obtained a cadre part-time undergraduate degree academic certificate from Shandong Cadres Correspondence University. Mr. Li was granted the title of senior political analyst by the 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 of the PRC in January 2016.

## Profiles of Directors, Supervisors and Senior Management

**Mr. Peng Hui (彭暉)**, aged 56, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company.

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

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

**Mr. Liu Qiang (劉強)**, aged 52, is currently an executive Director, the deputy general manager and a member of the party committee of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the chairman of the board of directors of Shandong Gangtong Construction Co., Ltd., a wholly-owned subsidiary of the Company.

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

Mr. Liu joined the Company in September 2007 and worked as the head of Pingyin Management Centre of the Company until February 2008. He was a member of the party committee of the Company from February 2008 to March 2008, the chief economist and a member of the party committee of the Company from March 2008 to May 2008, the chief economist, a member of the party committee and the chairman of labour union of the Company from May 2008 to December 2014. He was the chief economist, a member of the party committee, the chairman of labour union and secretary of disciplinary committee of the Company from December 2014 to June 2019. Mr. Liu also served as a director of Shandong Jihe Expressway Petroleum Management Company Limited (山東濟菏高速石化油氣管理有限公司) from December 2011 to August 2017. He has been the deputy general manager and a member of the party committee of the Company since June 2019. Mr. Liu has served as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, since August 2019. He has served as the chairman of the board of directors of Shandong Gangtong Construction Co., Ltd., a wholly-owned subsidiary of the Company, since 19 March 2020. He has served as an executive Director, the deputy general manager and a member of the party committee of the Company since November 2019.

## Profiles of Directors, Supervisors and Senior Management

In February 2006, Mr. Liu was named as an 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 Administration Bureau and the party committee. In June 2011, he was named as an Advanced Individual for Shandong Transportation Energy Saving and Emission Reduction Work under the Eleventh Five-Year Plan (“十一五”全省交通運輸節能減排工作先進個人) by the Shandong Transport Department. In April 2015, he was named as the Outstanding Organisation Individual of Shandong Health Cup Campaign (“安康盃”競賽優秀組織個人) by the Shandong Workers’ General Union (山東省總工會) and Shandong Safety Production Supervision and Administration Bureau (山東省安全生產監督管理局).

In July 1988, Mr. Liu graduated from Shandong Jinan Urban Construction School (山東省濟南城市建設學校) (currently known as the Shandong Urban Construction Vocational College) in Jinan of the PRC, with technical school academic qualification majoring in surveying and mapping. In June 1993, he graduated from the Correspondence Institute of the Party School of the China Communist Party (中央黨校函授學院) in Beijing of 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 of 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 of the PRC. In September 2007, Mr. Liu was qualified as a senior political analyst by the 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).

### (2) Non-Executive Directors

**Mr. Chen Dalong (陳大龍)**, aged 59, is currently the vice chairman of the Board and a non-executive Director of the Company. He concurrently serves as a director and the general manager of COSCO SHIPPING Industry & Trade, 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 Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000096).

Mr. Chen successively served as a shipping trainee, the deputy division secretary of the office of the general manager and the chief assistant of the office of the general manager for Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) from August 1985 to September 1996. He was a trainee of the operation and management cadre training course of China Ocean Shipping (中遠集團) from September 1996 to September 1997. He served as the deputy general manager of Donghong Hotel (東虹大酒店) from September 1997 to March 1999. He successively served as the 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; the 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; an assistant to general manager of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) and the general manager of Ocean Hotel (遠洋賓館) from September 2004 to May 2006; the 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 the deputy general manager and secretary of the party committee of COSCO SouthChina 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; 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) since November 2016; and the 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 has been the vice chairman of the Board and a non-executive Director of the Company since December 2017.

## Profiles of Directors, Supervisors and Senior Management

Mr. Chen currently serves as a director of Smart Watch Assets Limited, Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. (英達智能道路再生工程投資有限公司) (held by COSCO SHIPPING Industry & Trade as to 49.00%) and Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (held by Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. as to 55.00%) and the chairman of the board of directors of the following companies: (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) (Smart Watch Assets Limited is a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) and the parent company of the above companies (i) to (x)).

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

**Mr. Wang Shaochen (王少臣)**, aged 55, is currently a non-executive Director of the Company. Mr. Wang 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 worked for Huangtai Thermal Power Station (黃台火力發電廠) in Shandong and successively held various positions, including duty officer, deputy chief officer, branch secretary of grey water field team (灰水分場團), member of the welfare division of the labour union, deputy party branch secretary of the operation department, 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 has served as a non-executive Director of the Company in November 2014.



## Profiles of Directors, Supervisors and Senior Management

Mr. Wang graduated from Shandong TV University in Jinan of 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 (currently known as the Open University of China) in Beijing of the PRC and China University of Political Science and Law in Beijing of the PRC in July 2004, and obtained a bachelor's degree from China Central Radio and TV University. He received a certificate of senior economist from the Hubei branch of Ministry of Personnel of the PRC in December 2006 and a certificate of professional secretary (level 3) from the Ministry of Human Resources and Social Security of the PRC in November 2010.

**Mr. Zhou Cenyu (周岑昱)**, aged 49, is currently a non-executive Director of the Company. He concurrently serves as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司).

Mr. Zhou served as a cadre of Jiezhuang Town, Rencheng District, Jining City of Shandong Province from July 1993 to June 1997, and was a staff member, deputy section chief and section chief of Shandong Wenlian Personnel Office from June 1997 to November 2002. He served as a section level inspector (正科級檢查員) of Shandong Province Enterprises Disciplinary Committee (山東省管企業紀工委) from November 2002 to June 2004 and a staff member and director of the first bureau of discipline committee of Shandong State-owned Assets Supervision and Administration Commission from June 2004 to November 2008. He served as the deputy director of the leadership management division, deputy head and researcher of the organisation department of the party committee of Shandong SASAC from November 2008 to May 2015. He served as the director-level supervisor of the third office of Shandong Province Enterprises Supervisory Board (山東省管企業監事會第三辦事處) from May 2015 to October 2015. He served as the temporary person-in-charge of the work department and the deputy secretary of the headquarters of the party committee of Qilu Transportation from October 2015 to April 2018. He was also a member of the party committee of Qilu Transportation from January 2018 to August 2020 as well as the director of the office of the board of directors of Qilu Transportation from April 2018 to August 2020. Since August 2020, Mr. Zhou served as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)) since August 2020. Mr. Zhou has served as a non-executive Director of the Company since November 2019.

Mr. Zhou holds a bachelor's degree in engineering from the department of chemical engineering of Yantai University, majoring in chemical engineering, and a master's degree in business administration from School of Management, Shandong University.

## Profiles of Directors, Supervisors and Senior Management

**Mr. Su Xiaodong (蘇曉東)**, aged 56, is currently a non-executive Director of the Company. He concurrently serves as the investment director and the general manager of the capital and investment department of COSCO SHIPPING (Hong Kong).

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

Mr. Su is also a director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); (iii) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the controlling company of the above companies (i) to (xii)).

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

## Profiles of Directors, Supervisors and Senior Management

**Ms. Kong Xia (孔霞)**, aged 50, is currently a non-executive Director of the Company. She concurrently serves as the secretary of the party committee of the head office of Shandong Hi-Speed Group.

Ms. Kong served as a cadre of Shandong Provincial Transport Projects Supervision and Consultation Ltd. from July 1993 to June 1997. From June 1997 to November 2000, she served successively as a civil servant and the deputy section chief of the planning and infrastructure department of Shandong Transport Department. She served successively as the deputy section chief, section chief and deputy director of the planning and infrastructure department of Shandong Transport Department from November 2000 to July 2010. She served successively as the deputy director and a researcher of the integrated planning department of Shandong Provincial Traffic Transport Department from July 2010 to October 2015. She served as the temporary person-in-charge of the maintenance technology department of Qilu Transportation from October 2015 to December 2015. She served successively as the presiding expert and department head of the corporate management department of Qilu Transportation from December 2015 to April 2018. She served as the department head of the human resources department of Qilu Transportation and a member of the party committee of the headquarters of Qilu Transportation from April 2018 to August 2020. Since August 2020, she has served as the secretary of the party committee of the head office of Shandong Hi-Speed Group. Ms. Kong has served as a non-executive Director of the Company since November 2019.

Ms. Kong holds a bachelor's degree of engineering in highways and urban roads from the Southeast University, and a master's degree and postgraduate's degree in business administration from Shandong University.

**Mr. Tang Haolai (唐昊涑)**, aged 38, is currently a non-executive Director of the Company. He concurrently serves as the vice general manager and a member of party committee of Shandong Hi-Speed Investment Holdings Co., Ltd (山東高速投資控股有限公司).

Mr. Tang was the deputy manager of the audit and legal department of Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司) from May 2017 to October 2018 and has been a manager of the audit and legal department of Shandong Hi-Speed Investment Holdings Co., Ltd. since October 2018. He has been a director of Shandong Hi-Speed (Shanghai) Asset Management Co., Ltd. (山東高速(上海)資產管理有限公司), a supervisor of Jinan Shangao Deguang Investment Co., Ltd. (濟南山高德廣投資有限公司), and the chairman of the board of directors and a manager of Beijing Weite Real Estate Development Co., Ltd. (北京偉特房地產開發有限公司) since December 2017. He has also been the chairman of the board of directors of Jinan Yihai Guanghe Property Co., Ltd. (濟南易海光合置業有限公司) since September 2018, a non-independent director of Goldcard Smart Group Co., Ltd. (金卡智能集團股份公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300349) since December 2018, and a director of Shandong Oriental Ocean Sci-Tech Co., Ltd (山東東方海洋科技股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002086) since December 2019. Mr. Tang has served as the non-executive Director of the Company since December 2018.

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

## Profiles of Directors, Supervisors and Senior Management

**Mr. Du Zhongming (杜中明)**, aged 38, is currently a non-executive Director of the Company. He is also a departmental general manager of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司).

From July 2011 to September 2015, Mr. Du successively worked as a vehicle researcher and a traffic and transportation researcher at the research and development department of CSC Financial Co., Ltd. (中信建投證券股份有限公司) (a company listed on the Stock Exchange, stock code: 6066). Since May 2015, he has successively served as an equity investment industry researcher and an investment manager, and the general manager at the equity investment department of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司) (including its predecessor namely the asset management company under CITIC-Prudential Life Insurance Company Limited (中信保誠人壽保險有限公司資產管理公司)) he has served as a non-executive Director of the Company since March 2021.

Mr. Du holds a bachelor's degree of engineering from Beijing Jiaotong University majoring in traffic and transportation management, and a doctorate's degree of economics from Peking University majoring in national economics.

### (3) Independent Non-Executive Directors

**Mr. Cheng Xuezhao (程學展)**, aged 52, is currently an independent non-executive Director of the Company. He concurrently serves as an assistant general manager of Hualu Holdings Co., Ltd (華魯控股集團有限公司) and the 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 successively 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 served successively as 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 (國土資源部中央地質勘查基金) under the Ministry of Land and Resources (MLR) of the PRC from October 2006 to January 2008. He served successively as the head of general office, member of the branch committee and officer of general office of the Central Geological Exploration Fund Management Center under the MLR from January 2008 to September 2011. He has worked as an 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, served as a director of Shandong Hualu-Hensheng Chemical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600426) from March 2015 to April 2018 and a director of Hualu Investment Development Co., Ltd. since June 2016. Mr. Cheng has served as an independent non-executive director of Prosper Construction Holdings Limited (瑞港建設控股有限公司) (a company listed on the Stock Exchange, stock code: 06816) since December 2018. Mr. Cheng has served as an independent non-executive Director of the Company since July 2018.

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

## Profiles of Directors, Supervisors and Senior Management

**Mr. Li Hua (李華)**, aged 67, is currently an independent non-executive Director of the Company.

Mr. Li worked for the Institute of Highway Planning and Design of the MOC (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; an officer of the Engineering Management Division of the MOC (交通部工程管理司) from August 1991 to April 1994; the deputy director and director of the Management Office of Maintenance and Repair (養護管理處) under the Highway Management Division of the MOC (交通部公路管理司) from April 1994 to July 1998; the director of the Management Office under the Highway Division of the MOC (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; an assistant to director (director level) of the Highway Division of the MOC from October 2003 to July 2004; the deputy director of the Highway Division of the MOC from July 2004 to March 2009; the director of the Highway Bureau of the Ministry of Transport from March 2009 to May 2012; and the director of the Highway Bureau and the Highway Network Center (路網中心) of the Ministry of Transport from May 2012 to January 2014. Mr. Li has served as an independent non-executive Director of the Company since July 2018.

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 of the PRC in December 1977, with a bachelor's degree in highway engineering, and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing of the PRC in November 1998, with postgraduate qualification majoring in business economics.

**Mr. Wang Lingfang (王令方)**, aged 63, is currently an independent non-executive Director of the Company.

Mr. Wang served successively as a supervisor and specialised engineer of the boiler team, and deputy head, officer of the quality inspection department, deputy manager, deputy manager and chief engineer, acting manager and chief 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 the chairman of the board of director in Shandong Construction from July 2005 to June 2009. Mr. Wang acted as the chairman of the Board of the Company from October 2005 to March 2008, and served as the general manager and a 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 the 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 a 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 has served as an independent non-executive Director of the Company since July 2018.

Mr. Wang was recognised 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 an 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 a 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.

## Profiles of Directors, Supervisors and Senior Management

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

**Mr. He Jiale (何家樂)**, aged 66, is currently an independent non-executive Director of the Company. He concurrently serves as an independent non-executive Director of China International Marine Containers (Group) Co., Ltd (a company listed on the Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039) and an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603535).

Mr. He served as the director of the finance department and the deputy general manager of COSCO (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司)) from October 1994 to December 1997; and the chief accountant of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司) (currently known as COSCO Shipping Lines Co. Ltd. (中遠海運集裝箱運輸有限公司)) from January 1998 to September 2003. He also served as the chief financial officer of COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司) (currently known as COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運(香港)有限公司)) from October 2003 to November 2005, and served as its director and chief financial officer from February 2012 to November 2015. He served as an executive director of COSCO International Holdings Limited (中遠國際控股有限公司) (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司)), a company listed on the Stock Exchange, stock code: 00517) from November 2003 to January 2006 and from April 2012 to December 2015. He was the chief financial officer of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) (currently known as COSCO SHIPPING Holdings Co., Ltd. (中遠海運控股股份有限公司)), a company listed on the Stock Exchange, stock code: 01919, and a company listed on the Shanghai Stock Exchange, stock code: 601919) from November 2005 to January 2012. In addition, he served as a non-executive director of Chong Hing Bank Limited (創興銀行有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01111) from May 2012 to February 2014 and an executive director of COSCO Pacific Limited (中遠太平洋有限公司) (currently known as COSCO SHIPPING Ports Limited (中遠海運港口有限公司)), a company listed on the Stock Exchange, stock code: 01199) from November 2003 to June 2005 and from January 2009 to March 2013. He served as a supervisor of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (a company listed on the Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039) from September 2013 to May 2016, and has been an independent non-executive director of the company since June 2019. Since December 2017, he has served as an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603535). Mr. He has served as an independent non-executive Director of the Company since December 2018.

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



## Profiles of Directors, Supervisors and Senior Management

**Mr. Han Ping (韓兵)**, aged 51, is currently an independent non-executive Director of the Company. He concurrently serves as the vice president of Long Far Herbal Medicine Manufacturing (Hong Kong) Limited and the chairman of Prosperity Capital International Limited (繁榮資本國際有限公司).

Mr. Han served as a trader of Merrill Lynch Securities from September 1998 to September 1999. He has served as the vice president of Long Far Herbal Medicine Manufacturing (Hong Kong) Limited since February 2001 and the chairman of Prosperity Capital International Limited since May 2011. Mr. Han has served as an independent non-executive Director of the Company since November 2019.

Mr. Han holds a bachelor's degree in business administration and finance from the Bernard M. Baruch College, the City University of New York in the USA.

### SUPERVISORS

#### (1) Chairman of the Supervisory Committee

**Ms. Meng Xin (孟昕)**, aged 49, is currently the chairman of the Supervisory Committee of the Company. She concurrently serves as the assistant to president and the general manager of the financial department of COSCO SHIPPING (Hong Kong).

Ms. Meng worked successively 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 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. From December 2016 to October 2017, she was the 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). She has been the general manager of the financial department of COSCO SHIPPING (Hong Kong) since October 2017 and the assistant to president and the general manager of the finance department of COSCO SHIPPING (Hong Kong) since January 2020. She has served as the chairman of the Supervisory Committee of the Company since December 2017.

Ms. Meng serves as the general manager of the finance department of COSCO SHIPPING (Hong Kong), a director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited; director of COSCO Treasury Company Limited (held as to 100% by COSCO SHIPPING); director of Great Victory Holdings Ltd. (held as to 100% by COSCO SHIPPING); director of Peaktrade Investments Limited (held as to 100% by COSCO SHIPPING); director of Smart Watch Assets and the following companies: (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). (Smart Watch Assets Limited is the controlling shareholder of the above companies (i) to (xi)).

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



## Profiles of Directors, Supervisors and Senior Management

### (2) Shareholder Representative Supervisor

**Mr. Wu Yongfu (吳永福)**, aged 51, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as 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 SEPCO1 Electric Power Construction Corporation from March 1993 to November 1998 successively. He served successively as an auditor of the labour and finance department, deputy manager of the human resources and finance department, and 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 has served as a Supervisor of the Company since April 2011.

Mr. Wu graduated from the Finance School of Shandong Province (山東省財政學校) (currently known as Shandong University of Science and Technology) in Tai'an of 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) (currently known as Shandong University of Finance and Economics) in Jinan of 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 of 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 of the PRC, from a distance learning programme, in July 2013.

**Mr. Zhang Yin (張引)**, aged 46, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the director of the project development and capital operation centre of Shandong Hi-Speed Group.

Mr. Zhang served successively as a staff member of the traffic and transportation department, deputy section chief of the cargo administration division of the transportation administration department, section chief of the integrated department of the transportation administration office and the deputy director of the port traffic administration department of the transportation administration office of Jinan City Transportation Bureau (濟南市交通局) from July 1997 to October 2015. He served successively as a staff member of the safety operation department, the deputy director of the financial management department and director of the asset management centre of Qilu Transportation from October 2015 to August 2020. He has been the chairman of supervisory committee of Shandong Guilu Highway Construction Co., Ltd. (山東桂魯高速公路建設有限公司) since April 2016 and the chairman of supervisory committee of Shandong Binlai Expressway Co., Ltd. (山東濱萊高速公路有限公司) since September 2016. He served as a supervisor of Qilu Transportation Investment Co., Ltd. (齊魯交通投資有限公司) from May 2018 to August 2018. He has been a supervisor of Shandong Hi-speed Road & Bridge Co., Ltd. (山東高速路橋集團股份有限公司) since April 2019. Since August 2020, he has served as the director of the project development and capital operation centre of Shandong Hi-Speed Group. Mr. Zhang has served as a Supervisor of the Company since 2019.

Mr. Zhang graduated from Shandong Economics University (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in July 1997, majoring in international accounting. He obtained a master's degree in management from Shandong Economics University (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in March 2009, majoring in accounting.

## Profiles of Directors, Supervisors and Senior Management

### (3) Employee Supervisor

**Mr. Hao Dehong (郝德紅)**, aged 50, is currently an employee representative Supervisor and the department head of the corporate management department.

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, the deputy head of the finance department of a 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. Mr. Hao joined the 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 corporate management department since June 2017 and has served as an employee Supervisor of the Company since March 2011.

Mr. Hao graduated from Shandong Economics University (山東經濟學院) (currently known as Shandong University of Finance and Economics) in Jinan of 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 of the PRC in July 2006, with a bachelor's degree majoring in accounting by correspondence education.

**Ms. Hou Qinghong (侯清紅)**, aged 49, is currently an employee Supervisor and the department head of the Department of the Party Operation Department of the Company.

Ms. Hou worked at Liaocheng Daily (聊城日報社) from July 1992 to November 2007. She joined the 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 a member of the disciplinary committee, officer of women employees' committee of the labour union and the head of the Party Operation Department since July 2017 and has become an employee Supervisor since March 2011.

Ms. Hou was named as an Outstanding Youth Civilisation Worker in the Traffic and Transportation Industry of Shandong Province for the year 2011 (交通運輸行業2011年度山東省優秀青年文明工作者榮譽) from Shandong Provincial Committee (山東省委員會) and Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) under the Communist Youth League of China (中國共產主義青年團) in September 2012. Besides, she was accredited as a 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.

## Profiles of Directors, Supervisors and Senior Management

Ms. Hou graduated from Liaocheng Institute of Education (聊城師範學院) (currently known as the Liaocheng University) in Liaocheng of the PRC in July 1992, with a bachelor's degree 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 of the PRC in September 2002. She was qualified as a chief editor by the 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.

**Mr. Wang Shun (王順)**, aged 50, is currently an employee Supervisor, the director of Liaocheng Deshen Operation and Management Centre (聊城德莘運管中心) and vice chairman of labor union of the Company.

Mr. Wang worked in Tai'an Highway Bureau (泰安市公路局) from July 1995 to November 2007, and was responsible for financial affairs. Mr. Wang joined the Company in November 2007 and served successively as the deputy director of Dongping management centre, manager of operation dispatch centre and manager of information technology department. He served as the general office director of the Company from June 2017 to August 2020. He has served as the vice chairman of labor union of the Company since August 2018 and an employee Supervisor since October 2019. Mr. Wang has been the director of Liaocheng Deshen Operation and Management Centre since August 2020.

Mr. Wang graduated from Changsha Communications University (長沙交通學院) in Changsha City of the PRC in July 1995, majoring in Finance.

### (4) Independent Supervisors

**Mr. Li Ruzhi (黎汝志)**, aged 57, is currently an independent Supervisor of the Company.

He has worked at Jointide Law Firm in Shandong since December 2002 and is now a deputy director, senior partner and first-grade lawyer. He served as the chairman of the labour union, the head of general manager office and a senior economist of Shandong Petroleum & Chemical Economic Trade Head Office from July 1994 to December 2012. Mr. Li has served as an independent Supervisor of the Company since December 2018.

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

## Profiles of Directors, Supervisors and Senior Management

**Mr. Meng Qinghui (孟慶惠)**, aged 65, is currently an independent Supervisor of the Company.

Mr. Meng served as an accountant of Qingdao Ocean Shipping Co., Ltd. from September 1978 to March 1982. He served as the deputy manager of the finance department of Hong Kong Ocean Shipping Company (香港遠洋輪船公司) from March 1982 to August 1989. He served as the manager of the finance department of Tianlong Shipping Co., Ltd. (天龍船務有限公司) from August 1989 to December 1995. He served as the manager of the finance department of COSCO HIT Terminal (Hong Kong) Ltd. from January 1996 to August 1997. He served as the general manager of the finance department of COSCO (Hong Kong) Group Limited (currently known as COSCO SHIPPING (Hong Kong) Co., Limited) from September 1997 to July 2016. He served as an executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Stock Exchange, stock code: 00517) from March 2002 to July 2008 and a non-executive director of the company from July 2008 to April 2012. He served as a non-executive director of Soundwill Holdings Limited (a company listed on the Stock Exchange, stock code: 00878) from April 2003 to April 2011. He served as a non-executive director of Chong Hing Bank Limited (a company listed on the Stock Exchange, stock code: 01111) from March 2008 to February 2014. He was the chairman of the Supervisory Committee of the Company from February 2011 to December 2017. Mr. Meng has served as an independent Supervisor of the Company since November 2019.

Mr. Meng graduated from Central South University in Changsha of the PRC) in September 1978, majoring in foreign languages and accounting.

### SENIOR MANAGEMENT

**Mr. Peng Hui (彭暉)**, aged 56, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company. For further details of the profile of Mr. Peng, please refer to the sub-section headed “Directors” in this section.

**Mr. Liu Qiang (劉強)**, aged 52, currently serves as an executive Director, the deputy general manager and a member of the party committee of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the chairman of Shandong Gangtong Construction Co., Ltd., a wholly-owned subsidiary of the Company. For further details of the profile of Mr. Liu, please refer to the sub-section headed “Directors” in this section.

**Mr. Li Andong (李安東)**, aged 51, currently serves as the chief financial officer and a member of the party committee of the Company.

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 the audit department in the Ministry of Communications of the PRC successively and an editor of “Transportation Audit” magazine from May 2000 to April 2001, an officer and head of finance department in Shandong Highway Bureau successively from October 2004 to April 2014. He joined the Company in December 2007 and served successively as a Supervisor, member of the party committee, the chief financial officer and secretary to the Board. He has been our chief financial officer since January 2010.

## Profiles of Directors, Supervisors and Senior Management

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

Mr. Li was awarded as an 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) by Shandong Technology Awards Committee.

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

**Mr. Chen Xiulin (陳修林)**, aged 48, currently serves as the deputy general manager, a member of the party committee and the secretary to the Board of the Company.

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 an 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 the Company in November 2014 and served as the deputy general manager of the Company. He has served as the deputy general manager and a member of the party committee of the Company since November 2014 and also as the secretary to the Board of the Company 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, a director of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from March 2015 to July 2016, and a 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 of 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).

## Profiles of Directors, Supervisors and Senior Management

**Mr. Liu Liangrong (劉亮榮)**, aged 52, currently serves as the deputy general manager and a member of the party committee of the Company.

Mr. Liu served as a 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, a 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, a 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 joined the Company in April 2015 and has served as the deputy general manager since then. Mr. Liu has been the deputy general manager and a member of the party committee since December 2016. Mr. Liu also served as a director of Shandong Jihe Expressway Service Company Limited (山東濟菏高速服務有限公司) (currently known as Shandong Luchang Expressway Service Area Management Company Limited (山東魯暢高速公路服務區管理有限公司)) 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 of 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. Zhang Junfeng (張俊鋒)**, aged 43, currently serves as the secretary to the disciplinary committee and a member of the party committee of the Company.

From July 2001 to July 2009, Mr. Zhang successively served as clerk of the public prosecution department of the People's Procuratorate of Gaomi City, clerk of the investigation and supervision department, clerk of the civil and administration inspection department, assistant inspector, inspector, deputy chief and inspector of the civil and administration inspection department, chief of the civil and administration inspection department and deputy chief inspector. From July 2009 to November 2015, he served successively as deputy officer, chief officer and chief officer of the road administration department (Division I) of the office of the Highways Bureau of Transportation Department of Shandong province. From November 2015 to June 2019, he successively served as senior director and deputy director of the office of the board of directors of Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司). Mr. Zhang has served as secretary of the disciplinary committee and a member of the party committee since June 2019.

Mr. Zhang graduated from Northwest College of Politics and Law (西北政法學院) (now known as Northwest University of Political Science and Law (西北政法大學), located in Xi'an city, the PRC) in July 2001 with a bachelor's degree of law majoring in law. Mr. Zhang obtained the legal professional qualification from the Ministry of Justice of the People's Republic of China in March 2004.



## Profiles of Directors, Supervisors and Senior Management

**Mr. Lian Shengguo (連勝國)**, aged 42, currently serves as the chairman of the labor union, a member of the party committee, a member of the disciplinary committee and a joint company secretary of the Company.

Mr. Lian worked at Jining Highway Management Bureau (濟寧市公路管理局) from February 1999 to January 2008, served as the deputy officer of the management office of Jiexiang branch, deputy manager of the infrastructure office, manager of the human resources department, deputy secretary of branch of the party committee of general affairs office, vice chairman of the labour union, manager of the 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 the Company since December 2014 and served as an employee Supervisor from October 2016 to October 2019. Mr. Lian acted as the officer of the office of the Board from June 2017 to August 2020. He has been a joint company secretary of the Company since June 2018. He has served as the chairman of the labor union and a member of the party committee of the Company since June 2019.

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

**Ms. Xu Yuehong (許月紅)**, aged 53, currently serves as the deputy general manager of the Company.

Ms. Xu served as a technician at the Jiangsu Province Yangzhou City Synthetic Chemical Plant (江蘇省揚州市合成化工廠) from December 1987 to April 1994. From April 1994 to December 2003, she served as the manager of the finance department of China Ocean Shipping Tally Company Yangzhou Branch Company (中國外輪理貨總公司揚州分公司). From December 2003 to December 2011, she served as the manager of the finance department of Yangzhou Zhongli International Tally Co., Ltd. (揚州中理國際理貨有限公司), and concurrently served as the deputy general manager of the company from December 2011 to March 2014. Ms. Xu served as the general manager of the finance department of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) from March 2014 to May 2018, and served as an assistant to general manager of the industry and trade department of COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司) from May 2018 to March 2020. Ms. Xu joined the Company in April 2020 and has served as the deputy general manager of the Company since August 2020.

Ms. Xu holds a bachelor's degree in accounting from the China Central Broadcasting and Television University (中央廣播電視大學).



## Profiles of Directors, Supervisors and Senior Management

### JOINT COMPANY SECRETARIES

**Mr. Lian Shengguo (連勝國)**, aged 42, currently serves as the chairman of the labor union, a member of the party committee, member of the disciplinary committee and joint company secretary of the Company.

For further details of the profile of Mr. Lian, please refer to the sub-section headed “Senior Management” in this section.

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

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

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

## Report of the Board of Directors

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

### PRINCIPAL BUSINESSES

The Company is principally engaged in Shandong Province, the PRC in (i) the construction, maintenance, operation and management of the Jihe Expressway, and is entitled to toll collection from vehicles passing through the Jihe Expressway for the period from 26 September 2004 to 25 September 2034. Subsidiaries of the Company is engaged in the business of outdoor advertising production and distribution along the Jihe Expressway in Shandong Province; and (ii) the maintenance, operation and management of the Deshang and Shennan Expressways, and is entitled to toll collection from vehicles passing through the expressways, for the period, in respect of the Deshang Expressway (Liaocheng – Fan County section), from the Benchmark Date to 15 November 2040, and in respect of the Shennan Expressway, from the Benchmark Date to 27 September 2043. The Group principally carried out business in Shandong Province, the PRC.

On 2 June 2020, Qilu Transportation (as the transferor) and the Company (as the transferee) entered into, among others, the Transfer Agreement, pursuant to which, the Company acquired the Deshang and Shennan Expressways Toll Collection Rights from Qilu Transportation, such rights comprise the rights in relation to (i) the operation, maintenance and management of the expressways and (ii) toll collection from vehicles passing along the expressways but do not include the operating rights in respect of the Advertisement Business (including the leasing of advertisement billboards built along the expressways and the provision of the advertisement publication services on those advertisement billboards) and operations of the service facilities along the expressways.

For further details of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights, please refer to the sub-section headed “Management Discussion and Analysis – Significant Investments, Material Acquisitions or Disposals of Subsidiaries and Associated Companies – (2) Acquisition of the Toll Collection Rights in Respect of the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway” in this report.

### FINANCIAL POSITION AND RESULTS

During the Year, the revenue from our operations was approximately RMB1,689,536,000, representing an increase of approximately 3.51% as compared to approximately RMB1,632,243,000 for the corresponding period of last year. The cost and gross profit from our operations were approximately RMB706,403,000 and RMB983,133,000, respectively, as compared to those of approximately RMB680,393,000 and RMB951,850,000 for the corresponding period of last year, representing an increase of approximately 3.82% and approximately 3.29% as compared to that of corresponding period of last year, respectively. Net profit from operations amounted to RMB620,776,000, representing an increase of RMB25,048,000 or 4.20% as compared to that of 2019 (RMB595,728,000).

The Group’s earnings per Share from operations for the Year was RMB0.31, representing an increase of 3.33% as compared to that of 2019 (RMB0.30).

## Report of the Board of Directors

### CLOSURES OF REGISTER OF MEMBERS

#### 2020 AGM

The 2020 AGM is scheduled to be held on Thursday, 24 June 2021. For the purpose of determining our Shareholders' entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Thursday, 24 June 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2020 AGM, unregistered Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, city, Shandong, PRC (for Domestic Shareholders), not later than 4:30 p.m. on Monday, 24 May 2021.

#### Proposed Distribution of 2020 Final Dividend

The Board proposes a payment of a cash dividend of RMB0.180 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB360,000,000 (tax inclusive) as the 2020 Final Dividend for the year ended 31 December 2020. The proposal for such dividend payment is subject to consideration and approval by Shareholders at the 2020 AGM, and, if approved, such dividend will be payable to the Domestic Shareholders and H Shareholders whose names appeared on the register of members of the Company on Monday, 5 July 2021. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Shareholders and H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for the payment of dividend in Hong Kong dollars shall be the average middle rate for the five working days preceding the date of declaration of such dividend at the 2020 AGM (i.e., Thursday, 24 June 2021) as announced by the People's Bank of China. The share register of the Company will be closed from Wednesday, 30 June 2021 to Monday, 5 July 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2020 Final Dividend distribution, Shareholders who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC (for Domestic Shareholders) by no later than 4:30 p.m. on Tuesday, 29 June 2021.

The Board has scheduled to distribute the 2020 Final Dividend on Tuesday, 31 August 2021. Announcement(s) will be published by the Company as soon as practicable and in accordance with the Listing Rules for any changes to the expected date of dividend payment.

## Report of the Board of Directors

### Tax on Dividends

According to the relevant provisions of the Law of the People's Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法》 which came into effect on 29 December 2018 and its implementation regulations, resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. According to the provisions of the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H Shares Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) 《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》(國稅函[2008]897號) issued by the State Taxation Administration, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Therefore, when distributing dividends to holders of H shares who are non-resident enterprise, the Company withhold the enterprise income tax at the uniform rate of 10% in accordance with the law; and when distributing dividends to holders of H shares who are resident enterprises set up in China or are set up in accordance with the law of a foreign country (region) but whose actual administrative institution is in China with a legal opinion submitted within the prescribed time limit and confirmed by the competent tax authorities after submission by the Company, the Company does not withhold any enterprise income tax. Resident enterprises shall file tax return on their own and pay income tax in accordance with the law in respect of their income derived in the PRC.

In accordance with the “Circular on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994]No.020) 《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, temporarily, exempted from the PRC individual income tax for dividend or bonuses received from foreign invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends to overseas individual shareholders whose names appear on the register of members of H shares of the Company. In accordance with the provisions of 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》 (2018 Revised) which came into effect on 1 January 2019 and its implementation regulations, when distributing dividends to shareholders whose names appear on the register of members of H shares of the Company who are resident individuals (“**Resident Individuals**”), the Company shall withhold and pay the individual income tax at the rate of 20% on their behalf. Resident individuals refer to individual who have domiciles in China or who have no domicile but have resided in the PRC for a total of 183 days or more in a tax year.

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

## Report of the Board of Directors

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Tuesday, 29 June 2021, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People's Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

### DIVIDEND POLICY

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

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

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

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

### FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

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

## Report of the Board of Directors

### UNDISTRIBUTED PROFITS AT THE END OF THE YEAR

Details of the undistributed profits of the Group for the Year are set out in the “Consolidated Statement of Changes in Equity” in this annual report. As at 31 December 2020, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB837,201,000.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue of the Group mainly derived from toll income collected from expressway users, all of them were individuals, they are relatively random and none of them were major customers. Therefore, given the nature of the Group’s Expressway Business, there were no single customer who contributed more than 5% to the revenue or was otherwise material to our business during the Reporting Period, and accordingly, there was no major customer who was also a major supplier.

During the Year, the purchases made by the Group from the five largest suppliers of goods or services (i.e. its suppliers of non-capital goods) accounted for 10.06% of its cost of sales, and the purchases made by the Group from the largest supplier of non-capital goods accounted for 4.84% of its cost of sales. The purchases made by the Group from the five largest suppliers of equipment and construction services (i.e. its suppliers of capital goods) amounted to RMB68,894,000, and the purchases made by the Group from the largest supplier of equipment and construction services amounted to RMB31,220,000.

Therefore, during the Reporting Period, purchases from the Group’s top five suppliers collectively accounted for less than 30% of the Group’s cost of sales.

### ENVIRONMENTAL POLICY AND PERFORMANCE

For details of the environmental policy and performance of the Group during the Reporting Period, please refer to the Environmental, Social and Governance Report of the Company for 2020.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Company understands the importance of complying with laws and regulations, and the failure in complying with such requirements may result in the termination of business licence. The Company has deployed systems and human resources to ensure compliance with rules and regulations on ongoing basis, and has maintained good working relationship with regulatory authorities through effective communication. During the year ended 31 December 2020, to the best knowledge of the Directors, the Company has complied with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies of the People’s Republic of China, the Highway Law of the People’s Republic of China, the SFO, the Listing Rules, and other relevant laws and regulations.

## Report of the Board of Directors

### RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For details of the Group's relationships with employees, customers and suppliers during the Reporting Period, please refer to the Environmental, Social and Governance Report of the Company for 2020, which forms a part of this Report of the Board of Directors.

### PROMINENT RISK FACTORS

Risk exposure of a company refers to the impact of future uncertainties on a company in achieving its business goals. The Company is mainly engaged in the construction, operation and management of expressways. We believe that the Company is primarily exposed to policy, market and management risks. The Company attaches great importance to the above risks by taking the initiative to identify, evaluate and respond to the risks arising in the course of operation and establishing and improving its systematic risk management mechanism.

#### (1) Policy risk and countermeasures

In terms of toll collection, the Company derived its profit mainly from the operation of toll roads. Pursuant to the Highway Law of the PRC 《中華人民共和國公路法》, the Regulation on the Administration of Toll Roads 《收費公路管理條例》 and other relevant rules, expressway companies do not have an independent pricing right of toll rates, and the determination and adjustments of toll rates of expressways under their control shall be reported to the competent transport authority and pricing authorities at the provincial level for review and approval. If there is any significant change in the operating environment, price level and operating costs and other factors, expressway companies may apply to the above authorities for adjustment to toll rates. However, there is no assurance that the application will be approved in a timely manner. In addition, as PRC residents generally pay close attention to the toll collection policy for expressways, the Company may be exposed to greater public pressure on favorable adjustments to policies. If the government introduces new toll collection policies for expressways and preferential toll policies, expressway companies shall comply with such requirements, which will affect the stability of their operational efficiency to a certain extent. Moreover, amid the current pandemic situation, if the Ministry of Transport issue notices regarding toll exemption for vehicles on expressways, the Company's toll income will be negatively affected.

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

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



## Report of the Board of Directors

### (2) Changes in macroeconomic environment and countermeasures

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

The Company will analyse and study on the adjustments to relevant industry policies, proactively communicate and coordinate with competent government authorities, and spare no efforts in safeguarding the interests of the Company and investors; through the analysis of the current economic situation and regulatory targets, judge the impact of the macroeconomic trend on the demand for road transport, regularly collect data about the economic development in Shandong Province and surrounding regions, analyse the characteristics of the traffic flow of road network and the structural changes in vehicle classification, and minimise the negative impacts of changes in the economic environment on the Company's operation.

### (3) Diversified travel patterns and changes in road network

With the rapid construction of the national railway network and pipeline transportation, the travel duration between any two cities/countrysides in the PRC will be substantially reduced by travelling via high-speed railway and intercity express, which will influence the highway passenger transportation services to a certain extent. In addition, the development of pipeline transportation will change the modes of transportation for oil and gas and other resources, which in turn will have an impact on cargo transportation on highways. On the other hand, the further densification and optimisation of expressway network will lead to an increasing number of parallel roads and alternative roads, and road network diversions will bring negative impacts on the growth of the Company's toll income. Meanwhile, the overhaul, modification and extension of the roads surrounding our toll road projects as well as the treatment works on the surrounding road and bridge projects will cause changes in traffic flow of the road network, which will in turn have an impact on the operating performance of the Company's expressway projects.

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

## Report of the Board of Directors

### (4) Management risk and countermeasures

Upon completion and operation of its managed expressways, the Company shall conduct routine road maintenance to ensure a favourable traffic environment. If the repair, modification or extension is relatively large in scale or takes longer time, the traffic flow will be affected; and in the course of operation, the expressway is highly probable to incur serious damage on occurrence of floods, earthquakes and other unforeseeable natural disasters, which may result in the failure of the expressway to maintain normal operation for a period of time. Further, in case of dense fog and heavy snow and ice, the expressway will be partially or even completely closed for a short period of time. Major traffic incidents may cause traffic jams, weakened traffic capacity and damages to roads and bridges. These situations will directly lead to decreased toll revenue and increased maintenance costs, which will affect the operating results of the Company.

In light of the above management risk, the Company has adopted and will continue to adopt the following precautionary and responsive measures: strengthening the preventive road maintenance and repair works, making reasonable arrangements for the construction and maintenance project implementation plans; purchasing high-quality road-related assets to secure stable and broaden the source of income; effectively playing the role in linkage coordination mechanism with the traffic police, road administration and other departments, as well as reinforcing road patrol system under bad weather conditions, so as to ensure smooth and safe traffic on its managed expressways.

In addition, the Company strives to implement our strategies including (i) keeping close attention to high quality road-related assets to expand our business; (ii) further strengthening the application of information technology and improving the effectiveness of our technology; (iii) continuing to increase our operating efficiency and enhance our profitability; and (iv) establishing an optimised human resources system to attract, motivate and nurture high quality talents in road operation and management. Please refer to the sub-section headed “Business - Our Competitive Strengths and Strategies - Business Strategies” in the Prospectus for details. As at the date of this report, we are still in the process of identifying suitable acquisition or investment targets of the road-related assets, and have not entered into any agreement or memorandum of understanding with any potential target. Further announcements on the latest developments will be made by the Company in accordance with the requirements of relevant laws and regulations (including but not limited to the Listing Rules).

### CAPITAL COMMITMENTS

Details of the capital commitments of the Group during the Year are set out in Note 34 to the financial statements in this report.

## Report of the Board of Directors

### SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2020, the Company had four subsidiaries and one associate, particulars of which are set out in Notes 1 and 17 to the consolidated financial statements in this annual report.

### DONATIONS

The charitable and other donations of the Group during the Year amounted to approximately RMB48,000.

### JOINT RESTRUCTURING AT SHAREHOLDER LEVEL

#### (1) The Merger Agreement

On 12 August 2020, the Company received a notification from Qilu Transportation that pursuant to the relevant requirements from Shandong SASAC on the Joint Restructuring, Qilu Transportation shall be merged and absorbed by Shandong Hi-Speed Group. Subsequently, on 23 September 2020, Qilu Transportation and Shandong Hi-Speed Group entered into the Merger Agreement, whereby Qilu Transportation shall be merged by absorption by Shandong Hi-Speed, and upon completion of the Joint Restructuring, Qilu Transportation shall be deregistered while Shandong Hi-Speed Group shall continue to subsist as the merged company. All the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interest or other interest in the subordinating companies held by Qilu Transportation would be assumed by Shandong Hi-Speed Group as the surviving company.

On 17 November 2020, the Company was informed by Shandong Hi-Speed Group and Qilu Transportation that they had obtained the decision report of non-prohibition on anti-monopoly review on concentration of operators issued by the Administration for Market Regulation Bureau indicating its decision not to prohibit the Joint Restructuring after review and allowed Joint Restructuring to be implemented henceforth. Further, Shandong Hi-Speed Group notified the Company that it received a notice from the Jinan City Administrative Examination and Approval Service Bureau (濟南市行政審批服務局) on 17 November 2020 informing that Qilu Transportation had been deregistered by the competent authorities in the PRC on 16 November 2020 as a result of the Joint Restructuring, and as advised by the Company's PRC legal advisers, the deregistration of Qilu Transportation indicates the completion of the Joint Restructuring. After completion of the Joint Restructuring, Shandong Hi-Speed became the controlling Shareholder, and Shandong SASAC remained the ultimate controlling entity.

For details, please refer to the announcements of the Company dated 13 July 2020, 12 August 2020, 21 August 2020, 23 September 2020 and 17 November 2020.

## Report of the Board of Directors

### **(2) Grant of Waiver of Mandatory General Offer by the Executive**

As disclosed in the announcement of the Company dated 12 August 2020, upon completion of the Joint Restructuring, it might trigger an obligation on the part of Shandong Hi-Speed Group to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by or parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless otherwise waived by the Executive. Shandong Hi-Speed Group and Qilu Transportation jointly made an application to the Executive pursuant to Note 6(a) and Note 8 to Rule 26.1 of the Takeovers Code for the waiver of an obligation on the part of Shandong Hi-Speed Group to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by or parties acting in concert with it. On 21 August 2020, the Company was informed by Shandong Hi-Speed Group and Qilu Transportation that the Executive had granted such waiver on 20 August 2020.

For details, please refer to the announcements of the Company dated 12 August 2020 and 21 August 2020.

### **(3) Entering into of the Tripartite Agreements**

As advised by the Company's PRC legal advisers, in compliance with the provisions of the Merger Agreement and the applicable PRC laws and regulations, and for the purposes of confirming that both the Company and Shandong Hi-Speed Group shall enjoy the benefits and comply with the obligations under the Subsisting Agreements, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements on 26 November 2020 pursuant to which Shandong Hi-Speed Group assumed all contractual rights and obligations of Qilu Transportation under the Subsisting Agreements, and the Company continued to be bound by the terms and conditions of the Subsisting Agreements to enjoy all contractual rights against, and perform the obligations under the said agreements for, Shandong Hi-Speed Group. Save as disclosed above, there were no changes to the other terms of the Subsisting Agreements.

For details, please refer to the announcement of the Company dated 26 November 2020.

## Report of the Board of Directors

### CONNECTED TRANSACTION

Before completion of the Joint Restructuring, Qilu Transportation, a controlling Shareholder, held more than 10% of the issued share capital of the Company, and was therefore a substantial Shareholder of the Company as defined in the Listing Rules. After completion of the Joint Restructuring, one of our controlling Shareholders has changed from Qilu Transportation to Shandong Hi-Speed Group. Shandong Hi-Speed Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions of the Company with Qilu Transportation before completion of the Joint Restructuring and the transactions with Shandong Hi-Speed Group after completion of the Joint Restructuring are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

#### Non-Exempt Connected Transaction

*Acquisition of the Deshang and Shennan Expressways Toll Collection Rights – the Transfer Agreement, the Debt Assignment Agreements, the Debt Assumption Agreement and the Deshang and Shennan Expressways Land Lease Agreement*

The Company and Qilu Transportation entered into a transfer agreement on 2 June 2020, pursuant to which, the Company shall acquire the Deshang and Shennan Expressways Toll Collection Rights from Qilu Transportation, such rights comprise the rights in relation to (i) the operation, maintenance and management of the expressways and (ii) toll collection from vehicles passing along the expressways but do not include the operating rights in respect of the Advertisement Business (including the leasing of advertisement billboards built along the expressways and the provision of the advertisement publication services on those advertisement billboards) and operations of the service facilities along the expressways, at a consideration of RMB2,290 million. Upon completion of the transfer, all assets, liabilities, businesses, contracts (other than the Excluded Contracts) and related rights and obligations within the scope of the Transfer Interest under the transfer shall be entitled to and borne by the Company from the Benchmark Date. Meanwhile, as an inalienable part of the Transfer Interest, Qilu Transportation shall transfer a total of 41 properties with an aggregate gross floor area of approximately 14,008.27 m<sup>2</sup> used for management, maintenance and emergency response along the Deshang and Shennan Expressways to the Company from the Transfer Agreement Effective Date. On 14 September 2020, the consideration was paid to Qilu Transportation in accordance with the terms of the Transfer Agreement and the Company completed the acquisition of the Deshang and Shennan Expressways Toll Collection Rights.

Meanwhile, as agreed under the Transfer Agreement, the Company agreed to assume the Assumed Liabilities (comprising (i) the total outstanding loans of RMB1,726,374,000 in the facilities provided by the Lending Banks to Qilu Transportation for the Deshang and Shennan Expressways construction projects; and (ii) the total outstanding loans of RMB570,611,303.14 from Qilu Transportation for the Deshang and Shennan Expressways construction projects). In this regard, the Company entered into the Debt Assumption Agreement with Qilu Transportation on 2 June 2020, pursuant to which the Company agreed to assume the loans provided by Qilu Transportation for the Deshang and Shennan Expressways construction projects with effect from the Transfer Agreement Effective Date up to the Benchmark Date. The total principal and interest to be repaid under the Debt Assumption Agreement immediately after the Benchmark Date are RMB570,611,303.14 and

## Report of the Board of Directors

RMB50,807,453.05, respectively. In addition, the Company has entered into the Debt Assignment Agreements with Qilu Transportation and each of the Lending Banks upon completion of the transactions under the Transfer Agreement, pursuant to which, Qilu Transportation agreed to transfer its rights and obligations under the bank facility agreements with the Lending Banks in relation to the Deshang and Shennan Expressways construction projects to the Company since the Transfer Agreement Effective Date, and the Company should then be responsible for the repayment of the principal of such bank facilities as well as the interests thereof. The total principal and interest repayable under the Debt Assignment Agreements immediately after the Benchmark Date were RMB1,726,374,000 and RMB354,006,400, respectively.

In order to ensure the Company's exclusive and unfettered rights to use the land under the Deshang and Shennan Expressways during the Transfer Terms, the Company entered into the Deshang and Shennan Expressways Land Lease Agreement with Qilu Transportation on 2 June 2020 which took effective from the Transfer Agreement Effective Date. Pursuant to the agreement, the Company leased from Qilu Transportation the land use rights in respect of a total of 27 land parcels under the main line and the alongside facilities (excluding advertising and service facilities) of the Deshang and Shennan Expressways with a gross floor area of 5,311,463.30 square metres for the period from the Transfer Agreement Effective Date to the expiry date of the Transfer Terms. The respective annual rental for the land use right in respect of the land under the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway is RMB4,429,890.56 and RMB1,343,670.05, respectively.

As (i) the parties under the Transfer Agreement, the Debt Assignment Agreements, the Debt Assumption Agreement and the Deshang and Shennan Land Lease Agreement are the same; (ii) all transactions contemplated under such agreements are relating to the Acquisition and the operation and management of the Target Business; and (iii) all the transactions are expected to take place within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules), when aggregated, exceeds 100%, the transactions under the Transfer Agreement, the Debt Assignment Agreements, the Debt Assumption Agreement and the Deshang and Shennan Land Lease Agreement constitute very substantial acquisitions and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The acquisition (including the performance of the above agreements) was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 11 August 2020.

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the above agreements.

For details of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights, please refer to the sub-section headed "Management Discussion and Analysis – Significant Investments, Material Acquisitions or Disposals of Subsidiaries and Associated Companies – (2) Acquisition of the Toll Collection Rights in Respect of the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway" in this report.

## Report of the Board of Directors

### Non-Exempt Continuing Connected Transactions

#### (1) *The Listing Land Lease Agreement*

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

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Listing Land Lease Agreement.

Pricing policies:

The rent payable under the Listing Land 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.



## Report of the Board of Directors

Annual caps:

According to the above pricing policies and based on the terms of the Listing Land Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Listing Land Lease Agreement for the year ending 31 December 2020 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  | Annual caps for the year ending 31 December (RMB million) |
|---|---|
| 2020  | 2.310   |
| 2021  | 2.310   |
| 2022  | 2.310   |
| 2023  | 2.310   |
| 2024  | 2.310   |
| 2025  | 2.310   |
| 2026  | 2.310   |
| 2027  | 2.310   |
| 2028  | 2.310   |
| 2029  | 2.310   |
| 2030  | 2.310   |
| 2031  | 2.310   |
| 2032  | 2.310   |
| 2033  | 2.310   |
| 2034 (until 25 September 2034, i.e. the expiry date of the Concession Period) | 1.686   |

The amount payable to Shandong Hi-Speed Group in the sum of RMB2.310 million under the Listing Land Lease Agreement for the year ended 31 December 2020 has been paid in March 2020.

### (2) *The Listing Property Lease Agreement*

The Company and Qilu Transportation entered into the Listing 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 the Company. The lease term is approximately 17.4 years commencing from 1 May 2017 to 25 September 2034 (i.e. being the expiry date of the Concession Period) to ensure that the Group has the exclusive and unrestricted right to use the 45 Leased Properties as the staff of the management centre as offices and residence and for the storage of maintenance and emergency 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. In accordance with the Listing Property Lease Agreement, the total rent payable during the lease term is RMB65.65 million. The Company shall pay RMB58.00 million to Qilu Transportation within 15 days from the date on which the Listing Property Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 equal instalments of RMB0.45 million each by 31 March from 2018 to 2034.

## Report of the Board of Directors

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Listing Property Lease Agreement.

Pricing policies:

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

Annual caps:

According to the above pricing policies and based upon the terms of the Listing Property Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Listing Property Lease Agreement for the year ending 31 December 2020 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  | <b>Annual caps for the year ending 31 December (RMB)</b> |
|---|--|
| 2020  | 450,000  |
| 2021  | 450,000  |
| 2022  | 450,000  |
| 2023  | 450,000  |
| 2024  | 450,000  |
| 2025  | 450,000  |
| 2026  | 450,000  |
| 2027  | 450,000  |
| 2028  | 450,000  |
| 2029  | 450,000  |
| 2030  | 450,000  |
| 2031  | 450,000  |
| 2032  | 450,000  |
| 2033  | 450,000  |
| 2034 (until 25 September 2034, i.e. the expiry date of the Concession Period) | 450,000  |

The amount payable to Shandong Hi-Speed Group in the sum of RMB450,000 under the Listing Property Lease Agreement for the year ended 31 December 2020 has been paid in March 2020.

## Report of the Board of Directors

### (3) *The Deshang and Shennan Expressways Service Agreement*

The Company entered into the Deshang and Shennan Expressways Service Agreement with Qilu Transportation Liaocheng Branch and Qilu Transportation on 2 June 2020, pursuant to which Qilu Transportation Liaocheng Branch seconded the employees recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance in respect of the Deshang and Shennan Expressways from 14 September 2020.

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Deshang and Shennan Expressways Service Agreement.

Pricing policy:

Service fees will be determined on a cost-plus basis, that is, based on relevant staff costs plus 6.57% as management fee.

The aforesaid management fee encompasses the expenses to be borne by Qilu Transportation Liaocheng Branch incurred from, among other things, administration of remuneration and benefits, making social security and insurance contributions, management of staff files and records, contract administration, providing professional development, engaging in staff evaluation and review, arranging for physical examination, handling staff retirement, and tax expenses arising from the aforesaid activities. The management fee is determined by both parties on arm's length negotiations after taking into account a number of factors such as operating costs, technical levels and the expertise of such employees performing the services, and the average management fee of industry peers for provision of similar services.

Annual caps:

According to the above pricing policies and based upon the terms of the Deshang and Shennan Expressways Service Agreement, the annual caps under the Deshang and Shennan Expressways Service Agreement for the three years ending 31 December 2022 shall be as follows:

| <b>Year</b> | <b>Annual caps for the year ending 31 December (RMB)</b> |
|-------------|--|
| 2020        | 14,100,000   |
| 2021        | 37,000,000   |
| 2022        | 41,000,000   |

For the year ended 31 December 2020, the actual transaction amount under the Deshang and Shennan Expressways Service Agreement was approximately RMB11,678,000.

## Report of the Board of Directors

(4) *The Original General Services Framework Agreement (as amended by the Supplemental Agreement of the Original General Services Framework Agreement) and the 2021-2023 General Services Framework Agreement*

Pursuant to the Original General Services Framework Agreement, Qilu Transportation and its relevant Subordinated Entities shall provide the Group with certain General Highway Business Operation Services for the three years ended 31 December 2020. Upon Completion, there will be a corresponding demand for the General Highway Business Operation Services for the Target Expressways in the remaining period of this year as well as for the upcoming years in order to maintain the technical standards and qualities of the Target Expressways, as well as those for the Jihe Expressway. Accordingly, the Company and Qilu Transportation entered into the Supplemental Agreement of the Original General Services Framework Agreement and the 2021-2023 General Services Framework Agreement on 2 June 2020 to amend respectively the cap of the maximum aggregate consideration incurred in respect of the provision of the General Highway Business Operation Services by Qilu Transportation and its relevant subordinated entities to the Group for the year ended 31 December 2020 under the Original General Services Framework Agreement and to renew the General Services Framework Agreement for the upcoming three years from 2021 to 2023 after its expiry of the Original General Services Framework Agreement (as amended by the Supplemental Agreement of the Original General Services Framework Agreement). Pursuant to the Original General Services Framework Agreement (as amended by the Supplemental Agreement of the Original General Services Framework Agreement) and the 2021-2023 General Services Framework Agreement, Qilu Transportation and its relevant subordinated entities would provide the 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.

Pursuant to the Merger Agreement entered into by Shandong Hi-Speed Group and Qilu Transportation on 23 September 2020, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interests or other interests in the subordinating companies held by Qilu Transportation were assumed by Shandong Hi-Speed Group upon completion of the Joint Restructuring by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group.

## Report of the Board of Directors

### Pricing policies:

The pricing of each of the services provided under the Original General Services Framework Agreement (as amended by the Supplemental Agreement of the Original General Services Framework Agreement) and the 2021-2023 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 (the relevant obligations are currently assumed by Shandong Hi-Speed Group) and its relevant Subordinated Entities to any third party, and the minimum quotation for such service.

### Annual caps:

Pursuant to the Supplemental Agreement of the Original General Services Framework Agreement, the 2020 Annual Cap under the Original General Services Framework Agreement was increased from HK\$2.8 million (equivalent to approximately RMB2.4 million) to RMB30 million.

## Report of the Board of Directors

Based upon the terms and pricing policies of the 2021-2023 General Services Framework Agreement, the annual caps under the 2021-2023 General Services Framework Agreement of the Company for the three years ending 31 December 2023 shall be as follows:

| Year | <b>Annual caps for the year ending 31 December (RMB' 000)</b> |
|------|---|
| 2021 | 15,000  |
| 2022 | 15,000  |
| 2023 | 15,000  |

For the year ended 31 December 2020, the actual transaction amount under the Original General Services Framework Agreement (as amended by the Supplemental Agreement of the Original General Services Framework Agreement), was approximately RMB2,443,000.

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

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those under the transactions between the Company and independent third parties; and
- (3) in accordance with the terms of the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

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

The significant related party transactions set out in Note 35 to the consolidated financial statements (except for the income collection arrangement in relation to the toll income related trade receivables from Shandong Transport Department) which also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

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

## Report of the Board of Directors

### COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS

The Company has entered into with each of Qilu Transportation and COSCO SHIPPING (Hong Kong), the Non-Competition Agreement, under which each of Qilu Transportation and COSCO SHIPPING (Hong Kong), as our Controlling Shareholder, has undertaken that, save for the existing business of Qilu Transportation and COSCO SHIPPING (Hong Kong) as at 12 December 2017, 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 the Company and its subsidiaries according to our business development (the “**Principal Businesses of the 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 the Company and its Subsidiaries;
- (ii) according to the Non-Competition Agreements, in the event that the Company decides not to take up the New Business Opportunity (as defined below), and Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries take up the New Business Opportunity;
- (iii) the engagement or participation by Qilu Transportation or COSCO SHIPPING (Hong Kong) in the investment, development, maintenance, operation and management of expressways running within/through Shandong Province of the PRC, the establishment and operation of the advertisement billboards along the expressways under its operation and/or management, and the operation of other businesses in relation to toll roads in accordance with specific written approvals or instructions from the competent provincial government departments. However, Qilu Transportation or COSCO SHIPPING (Hong Kong) shall communicate with the Company before the issuance of such approval or instruction in order to minimise the impact of relevant projects on the Company. However, (i) if Qilu Transportation or COSCO SHIPPING (Hong Kong) has the autonomous right to select the execution entity of such projects covered by the written approvals or instructions, such projects are still subject to the requirements under the Non-Competition Agreement; or (ii) if the projects covered by such approvals and instructions cause actual competition with or bring impact to the Principal Businesses of the Company and its subsidiaries, Qilu Transportation or COSCO SHIPPING (Hong Kong) and the 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 the Company and its subsidiaries, such business shall be subject to the Non-Competition Agreements.



## Report of the Board of Directors

### 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 the Company and its subsidiaries (“**New Business Opportunity**”), Qilu Transportation or COSCO SHIPPING (Hong Kong) shall notify us in writing of the New Business Opportunity within ten working days after it becomes aware of the New Business Opportunity (the “**Offer Notice**”) and provide with us all required information about the New Business Opportunity, and use its best efforts to procure the New Business Opportunity to us or our subsidiaries on fair and reasonable terms and conditions. Our Group is entitled to decide whether or not to take up such New Business Opportunity in writing within ten working days or within a time period as otherwise agreed by the parties from receiving the Offer Notice. If so, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries must pass on the New Business Opportunity to us or our subsidiaries under the same terms and conditions.

### OPTIONS FOR ACQUISITIONS

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

### PRE-EMPTIVE RIGHTS UNDER NON-COMPETITION AGREEMENTS

In relation to any New Business Opportunity referred to us by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries under the Non-Competition Agreements, if the 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 the Company; or (ii) the above new business to a third party, it shall notify the Company by a written notice in advance.

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

Shandong Hi-Speed Group and Qilu Transportation entered into the Merger Agreement on 23 September 2020, pursuant to which, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interests or other interests in the subordinating companies held by Qilu Transportation were assumed by Shandong Hi-Speed Group upon completion of the Joint Restructuring by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group.

For more details of the merger by absorption between Shandong Hi-Speed Group and Qilu Transportation, please refer to the sub-section headed “Joint Restructuring at Shareholder Level” under this section.

## Report of the Board of Directors

The Company has received confirmation notices issued by each of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong), confirming that they have complied with the Non-Competition Agreements for the year ended 31 December 2020, and made disclosure in this annual report. The independent non-executive Directors have also reviewed the compliance and execution of the Non-Competition Agreements of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) in accordance with such confirmation notices, and confirmed that they were not aware of any non-compliance of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) with the commitments made in the Non-Competition Agreements for the year ended 31 December 2020. For the year ended 31 December 2020, the Company has not been offered any new business opportunities.

### EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB131,304,000. The remuneration for the Group's employees includes basic salaries, bonuses and other staff benefits, such as social insurance, housing provident fund, corporate annuity, supplementary medical insurance and group life accident insurance coverage. In general, the Group determines the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. The Group also provides our employees with continuing education and regular on-the-job training based on their job duties. As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement scheme for its employee in the PRC (i.e. pension). The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant income, subject to certain ceiling. In light of the pandemic, Jinan Social Insurance Affairs Centre (濟南市社會保險事業中心) exempted the Group from such contribution for the period between February and December 2020. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All the employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

Contributions made from the Company to the above retirement schemes are recognized as expenses when incurred and will not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

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

## Report of the Board of Directors

### SHARE CAPITAL

As at 31 December 2020, the total issued shares of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares (comprising 1,100,000,000 H Shares and 900,000,000 Domestic Shares), with a nominal value of RMB1.00 each.

Share capital as at 31 December 2020 was as follows:

| <b>Class of Shares</b> | <b>Number of Shares</b> | <b>Approximate percentage of the issued share capital of the Company</b> |
|------------------------|-------------------------|--|
| H Shares               | 1,100,000,000           | 55.00%   |
| Domestic Shares        | 900,000,000             | 45.00%   |
| Total                  | 2,000,000,000           | 100%   |

Details of movements in the share capital of the Company during the Year are set out in Note 29 to the financial statements in this report.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would require the Company to offer new Shares to existing Shareholders in proportion to their shareholdings.

### SHARE OPTIONS SCHEME

The Company did not adopt any share option scheme.

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

As at 31 December 2020, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

## Report of the Board of Directors

| Name of Shareholders   | Number of<br>Shares held | Capacity                           | Class of<br>Shares | Approximate<br>percentage of<br>the total<br>number of<br>relevant class<br>of issued share<br>capital of<br>the Company | Approximate<br>percentage<br>of the total<br>issued share<br>capital of<br>the Company | Long position/<br>short position |
|--|--------------------------|------------------------------------|--------------------|--|--|----------------------------------|
| Shandong Hi-Speed Group <sup>(Note 1)</sup>                      | 778,500,000              | Beneficial interest                | Domestic Shares    | 86.50%   | 38.93%   | Long position                    |
|  | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| COSCO SHIPPING (Hong Kong) Co., Limited                          | 600,000,000              | Beneficial interest                | H Shares           | 54.55%   | 30.00%   | Long position                    |
| China Ocean Shipping Company Limited <sup>(Note 2)</sup>         | 600,000,000              | Interest in controlled corporation | H Shares           | 54.55%   | 30.00%   | Long position                    |
| China COSCO Shipping Corporation Limited <sup>(Note 2)</sup>     | 600,000,000              | Interest in controlled corporation | H Shares           | 54.55%   | 30.00%   | Long position                    |
| Shenhua National Power Shandong Construction Group Limited       | 121,500,000              | Beneficial interest                | Domestic Shares    | 13.50%   | 6.08%  | Long position                    |
| Shenhua National Power Group Company Limited <sup>(Note 3)</sup> | 121,500,000              | Interest in controlled corporation | Domestic Shares    | 13.50%   | 6.08%  | Long position                    |
| China Energy Investment Corporation Limited <sup>(Note 3)</sup>  | 121,500,000              | Interest in controlled corporation | Domestic Shares    | 13.50%   | 6.08%  | Long position                    |
| CITIC-Prudential Life Insurance Company Ltd.                     | 103,750,000              | Beneficial interest                | H Shares           | 9.43%  | 5.19%  | Long position                    |
| Prudential Corporation Holdings Limited <sup>(Note 4)</sup>      | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| Prudential Holdings Limited <sup>(Note 4)</sup>                  | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| Prudential Corporation Asia Limited <sup>(Note 4)</sup>          | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| Prudential plc <sup>(Note 4)</sup>                               | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| CITIC Corporation Limited <sup>(Note 5)</sup>                    | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| CITIC Limited <sup>(Note 5)</sup>                                | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| CITIC Glory Limited <sup>(Note 5)</sup>                          | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| CITIC Polaris Limited <sup>(Note 5)</sup>                        | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| CITIC Group Corporation <sup>(Note 5)</sup>                      | 103,750,000              | Interest in controlled corporation | H Shares           | 9.43%  | 5.19%  | Long position                    |
| Shandong Hi-Speed Investment Holdings Co., Ltd.                  | 103,750,000              | Beneficial interest                | H Shares           | 9.43%  | 5.19%  | Long position                    |

## Report of the Board of Directors

### Notes:

1. Shandong Hi-Speed Investment Holdings Co., Ltd. is wholly owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the H Shares held by Shandong Hi-Speed Investment Holdings Co., Ltd. under the SFO.
2. COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Ocean Shipping Company Limited. China Ocean Shipping Company Limited is wholly owned by China COSCO Shipping Corporation Limited\*. Therefore, China Ocean Shipping Company Limited and China COSCO Shipping Corporation Limited\* are deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.
3. Shenhua National Power Shandong Construction Group Limited\* is wholly owned by Shenhua National Power Group Company Limited\*. Shenhua National Power Group Company Limited\* is wholly owned by China Energy Investment Corporation Limited. Therefore, Shenhua National Power Group Company Limited\* and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Shenhua National Power Shandong Construction Group Limited\* under the SFO.
4. 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
5. The remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited, CITIC Limited, CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC Prudential Life Insurance Company Ltd. under the SFO.

Save as disclosed above, as at 31 December 2020, so far as is known to our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

So far as is known to our Directors, as at 31 December 2020, none of our Directors, Supervisors or chief executives and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Board of Directors

### REPURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### PUBLIC FLOAT

As disclosed in the announcement of the Company dated 17 November 2020, Shandong Hi-Speed Group and Shandong Hi-Speed Investment, holding approximately 38.93% and 5.19% of all the issued Shares, respectively, have become core connected persons of the Company upon completion of the Joint Restructuring. Their Shares are not regarded as those held by the public (as defined under the Listing Rules) and as such, the Company has failed to satisfy the minimum public float requirement (the “**Minimum Public Float Requirement**”) of 25% as prescribed under Rules 8.08(1) of the Listing Rules upon completion of the Joint Restructuring. An application had been made by the Company to the Stock Exchange for a temporary waiver, and on 20 November 2020, the Stock Exchange granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules (i.e. the Minimum Public Float Requirement) for the period from 16 November 2020 to 31 March 2021.

The Company has recently been informed by Shandong Hi-Speed Group and Shandong Hi-Speed Investment that the plan for the disposal of the H Shares held by Shandong Hi-Speed Investment to independent third party(ies) (the “**H Share Transfer**”) remains their priority to restore the public float of the Company as early as practicable. They are currently continuing to have communication and negotiation with the potential transferees of the H Share Transfer to determine the arrangements for the H Share Transfer. To date, no definitive agreement in respect of the H Share Transfer has been concluded by Shandong Hi-Speed Group or Shandong Hi-Speed Investment with any party. Accordingly, the Company is still unable to satisfy the Minimum Public Float Requirement. Further announcement(s) will be made by the Company regarding the restoration of the public float as soon as practicable in compliance with the Listing Rules and other applicable laws and regulations.

For details, please refer to the announcements of the Company dated 13 July 2020, 12 August 2020, 21 August 2020, 23 September 2020, 17 November 2020 and 23 November 2020.

## Report of the Board of Directors

### DIRECTORS AND SUPERVISORS

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

#### Executive Directors

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

Mr. Peng Hui

Mr. Liu Qiang

#### Non-Executive Directors

Mr. Chen Dalong

Mr. Wang Shaochen

Mr. Zhou Cenyu

Mr. Su Xiaodong

Ms. Kong Xia

Mr. Tang Haolai

Mr. Yuan Ruizheng (resigned on 29 January 2021)

Mr. Du Zhongming (appointed on 26 March 2021)

#### Independent Non-Executive Directors

Mr. Cheng Xuezhao

Mr. Li Hua

Mr. Wang Lingfang

Mr. He Jiale

Mr. Han Ping

#### Shareholder Representative Supervisors

Ms. Meng Xin (*Chairperson of the Supervisory Committee*)

Mr. Wu Yongfu

Mr. Zhang Yin

#### Employee Supervisors

Mr. Hao Dehong

Ms. Hou Qinghong

Mr. Wang Shun

#### Independent Supervisors

Mr. Li Ruzhi

Mr. Meng Qinghui



## Report of the Board of Directors

### CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### Changes in Directors, Supervisors and Senior Management during the Reporting Period:

Ms. Xu Yuehong was appointed as the deputy general manager of the Company on 6 August 2020.

Save as disclosed above, there were no changes in the Directors, Supervisors and senior management of the Company during the Reporting Period.

#### Changes in Directors, Supervisors and Senior Management after the Reporting Period and up to the Date of This Report

Mr. Yuan Ruizheng resigned from his position as a non-executive Director of the Company on 29 January 2021 due to work reallocation. For details, please refer to the announcement of the Company dated 29 January 2021.

Mr. Du Zhongming was appointed as a non-executive Director of the Company on 26 March 2021. For details, please refer to the announcements of the Company dated 29 January 2021 and 26 March 2021 and the circular of the Company dated 8 February 2021, respectively.

Save as disclosed above, there were no changes in the Directors, Supervisors and senior management of the Company after the Reporting Period and up to the date of this report.

### CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Tang Haolai has been appointed as the vice general manager and a member of the party committee of Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司) with effect from 2 April 2020.

Mr. Zhou Cenyu has been appointed as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)) and has ceased to be a member of the party committee and the director of the office of the board of directors of Qilu Transportation, with effect from 5 August 2020.

Ms. Kong Xia has been appointed as the secretary of the party committee of the head office of Shandong Hi-Speed Group and has ceased to be the department head of the human resources department of Qilu Transportation and a member of the party committee of the headquarters of Qilu Transportation, with effect from 5 August 2020.

Ms. Meng Xin has been appointed as the assistant to president of COSCO SHIPPING (Hong Kong), with effect from 11 January 2020.

Mr. Zhang Yin has been appointed as the director of the project development and capital operation centre of Shandong Hi-Speed Group and has ceased to be the deputy director of the financial management department and the director of the asset management centre of Qilu Transportation, with effect from 5 August 2020.

Mr. Wang Shun has been appointed as the director of Liaocheng Deshen Operation and Management Centre, with effect from 7 August 2020.

## Report of the Board of Directors

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

### INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

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

### INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

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

| Name/Positions held with the Company  | Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report  |
|---|---|
| <b>Chen Dalong (陳大龍)/Vice chairman of the Board, Non-executive Director</b> | Director and general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) (held by the COSCO SHIPPING as to 100%), director of Smart Watch Assets Limited, Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. (英達智能道路再生工程投資有限公司) (held by COSCO SHIPPING Industry & Trade as to 49.00%) and director of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (held by Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. as to 55.00%), as well as chairman of the board of directors of the following companies: (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) (Smart Watch Assets Limited is a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) and the parent company of companies (i) to (x)) |

## Report of the Board of Directors

| Name/Positions held with the Company            | Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report  |
|---|---|
| <b>Su Xiaodong (蘇曉東)/Non-executive Director</b> | Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司); as well as director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); (iii) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the holding company of the above companies (i) to (xii)) |
| <b>Zhou Cenyu (周岑昱)/Non-executive Director</b>  | Secretary of the party general branch and chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司))   |
| <b>Kong Xia (孔霞)/Non-executive Director</b>     | Secretary of the party committee of the head office of Shandong Hi-Speed Group  |

## Report of the Board of Directors

| Name/Positions held with the Company                        | Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report   |
|---|--|
| <b>Meng Xin (孟昕)/Chairman of the Supervisory Committee</b>  | Assistant to president and general manager of the finance department of COSCO SHIPPING (Hong Kong); director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited; director of COSCO Treasury Company Limited, held as to 100% by COSCO SHIPPING; director of Great Victory Holdings Ltd., held as to 100% by COSCO SHIPPING; director of Peaktrade Investments Limited, held as to 100% by COSCO SHIPPING; director of Smart Watch Assets and the following companies: (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); (ix) 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); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) |
| <b>Zhang Yin (張引)/Shareholder Representative Supervisor</b> | Director of the project development and capital operation centre of Shandong Hi-Speed Group  |

Mr. Zhou Genyu has ceased to be a member of the party committee and the director of the office of the board of directors of Qilu Transportation and redesignated as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)), with effect from August 2020.

Ms. Kong Xia has ceased to be the department head of the human resources department of Qilu Transportation and a member of the party committee of the headquarters of Qilu Transportation and redesignated as the secretary of the party committee of the head office of Shandong Hi-Speed Group, with effect from August 2020.

Mr. Zhang Yin has ceased to be the deputy director of the financial management department and the director of the asset management centre of Qilu Transportation and redesignated as the director of the project development and capital operation centre of Shandong Hi-Speed Group, with effect from August 2020.

Ms. Meng Xin has been appointed as the assistant to president and remained in her office as the general manager of the finance department of COSCO SHIPPING (Hong Kong), with effect from January 2020.

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

## Report of the Board of Directors

### REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

Details of remuneration of the Directors, Supervisors and the five highest paid individuals of the Company during the Year are set out in Notes 8 and 9 to the financial statements in this report.

### MANAGEMENT CONTRACTS

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

### PERMITTED INDEMNITY PROVISION

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

### THE BOARD AND BOARD COMMITTEES

Details of the Board and Board committees are set out in the sub-section headed “Corporate Governance Report – The Board” in this report, the contents therein form a part of this Report of the Board of Directors.

### MATERIAL LITIGATION AND ARBITRATION

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

### AUDIT COMMITTEE

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

Details of the convening of meetings of the Audit Committee are set out in the sub-section headed “Corporate Governance Report – The Board – Audit Committee” in this report, the contents therein form a part of this Report of the Board of Directors.

## Report of the Board of Directors

### AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by Ernst & Young. The domestic and international auditors of the Company, Ernst & Young Hua Ming LLP and Ernst & Young, will retire at the 2020 AGM. After obtaining the recommendation from the Audit Committee, the Board has resolved to propose the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor and international auditor of the Company for 2021, respectively. The proposed appointment is subject to Shareholders' approval at the 2020 AGM. The term of service of Ernst & Young Hua Ming LLP and Ernst & Young is proposed to commence from the date of shareholders' approval at the 2020 AGM until the conclusion of the next annual general meeting of the Company.

Save as the disclosed above, the auditors of the Company have not been changed in the last three years.

### BUSINESS REVIEW

Details of the business review are set out in the sub-section headed "Management Discussion and Analysis—Business Review" in this report, the contents therein form a part of this Report of the Board of Directors.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

The Company has included the full text of the environmental, social and governance report 2020 in this annual report in accordance with the requirements of Appendix 27 of the Listing Rules.

### EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event after the Reporting Period.

By order of the Board

**Li Gang**

*Chairman*

Shandong, the People's Republic of China

26 March 2021

# Environmental, Social and Governance Report

## §1 ABOUT THIS REPORT

This is the third Environmental, Social and Governance Report issued by Qilu Expressway Company Limited. This report mainly introduces the Company's efforts and contributions in respect of environmental, social and governance areas. We wish to strengthen the communication and engagement with stakeholders through this report.

The Board and all Directors of the Company warrant that there are no false representations, misleading statements or material omissions in this report, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents herein.

### Reference of Names

For convenience of expression and for easier reading, in this report, "Qilu Expressway Company Limited" is referred to as "Qilu Expressway", the "Company" and "we", "our" or "us". "Qilu Transportation Development Group Company Limited" is referred to as the "Group Company" in this report.

### Reporting Scope

Unless otherwise specifically indicated, the qualitative and quantitative information disclosed in this report covers Qilu Expressway and three of its wholly-owned subsidiaries<sup>1</sup>.

### Time Scope

The Environmental, Social and Governance Report of the Company is an annual report. The reporting period was from 1 January 2020 to 31 December 2020.

### Basis of Preparation

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

### Report Access

The Chinese and English versions of this report can be downloaded from the website of the Stock Exchange at <http://www.hkexnews.hk>. This report is published in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

<sup>1</sup> The three subsidiaries are Qilu Expressway (Hong Kong) Company Limited, Shandong Gangtong Construction Co., Ltd. and Shandong Shunguang Culture Media Company Limited



## Environmental, Social and Governance Report

### §2 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY CONCEPT AND MANAGEMENT

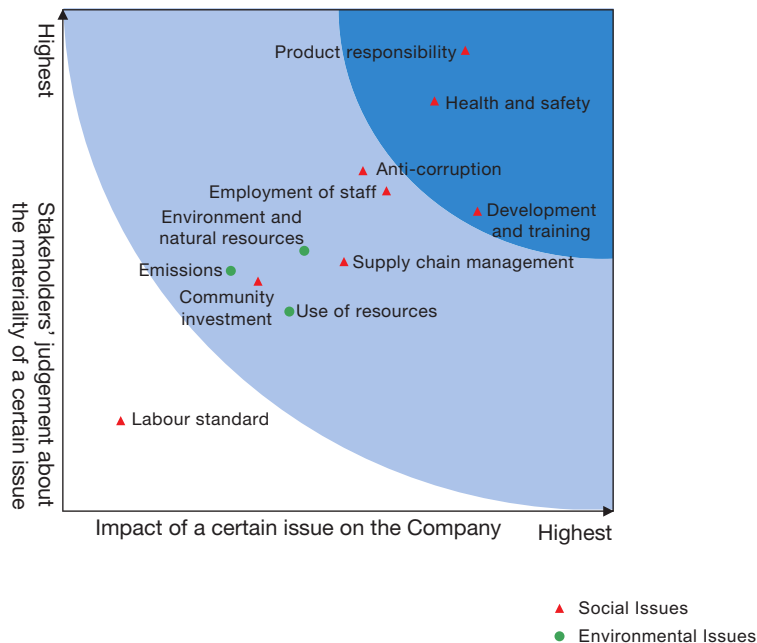
The Company is principally engaged in the operation of expressways. The business not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, providing safe, rapid, economical and comfortable transportation services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

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

Always taking green development as a cornerstone of business engagement, the Company integrates the concept of sustainable development into all aspects of corporate governance and business activities, in efforts to simultaneously achieve economic, social and environmental benefits. In the future, the Company will continue to adhere to its goals of ecological priority and pursuing green development. To achieve this, the Company will create and promote green development with green highways and press ahead of shaping a new structure for its green development. We deeply believe that bearing the goals and concept of green development in mind, the Company will create greater value and make continuous contribution to the society. In addition, the Company will further refine its management system so as to realise both social and corporate economic benefits at a faster pace.

### §3 IDENTIFICATION OF MATERIAL ISSUES

Pursuant to the requirements of the ESG Reporting Guide issued by the Stock Exchange, and with reference to the relevant procedures for materiality analysis issued by Global Reporting Initiative (“GRI”), the Company collects and records issues concerned by our major stakeholders and materiality assessment results about each issue by way of questionnaires and interviews, conducts materiality analysis and prioritise such issues by materiality to finalise the material (important) ones in the environmental, social and governance aspects and make disclosures thereof in the report. (See the chart below)



## Environmental, Social and Governance Report

### §4 FEATURE: TO BATTLE THE PANDEMIC TOGETHER

At the beginning of 2020, the novel coronavirus pneumonia pandemic (COVID-19) started to spread across China. Under the leadership of the Central Committee of the Communist Party of China (CCCCP), all organisational units nationwide have spared no effort to fight against the pandemic. In the face of such situation, Qilu Expressway responded to the calls from the provincial government and superior administrative units quickly and kept close cooperation in joint pandemic prevention and control work.

#### §4.1 To Attach Great Importance and Take Prompt Action

The Company insisted on thoroughly implementing the decisions and plans of superior administrative units and placed pandemic prevention and control work as its top priority. In this regard, the Company has resolutely commenced the pandemic prevention and control work in an active and orderly manner. On 22 January, in quick response to the call from superior administrative units, the Company, in no time, set up a leading panel for COVID-19 pandemic prevention and control, responsible for coordinating and arranging the joint pandemic prevention and control work. On 26 January, the Company held a video conference on urgent redeployment for the joint COVID-19 prevention and control work, at which the Company communicated the spirit of superior documents to all units, and devised a comprehensive plan for pandemic prevention and control. On 27 January, the members of the leading panel for COVID-19 pandemic prevention and control went on a tour of on-site supervision and inspection to ensure the full and effective implementation of joint prevention and control work. On 30 January, the Company held a thematic meeting for scheduling of joint COVID-19 prevention and control, at which the Company reported the progress of joint prevention and control work and made plans on the next stage of work.

On 3 February, the Company's party committee issued the "Notice on Strengthening the Party's Leadership, Giving Full Play to the Fighting Stronghold Role of Party Branches and the Vanguard and Exemplary Role of Party Members in Pandemic Prevention and Control Battle" 《關於在疫情防控制擊戰加強黨的領導發揮黨支部戰鬥堡壘作用和黨員先鋒模範作用的通知》, calling for all branches and party members to strengthen "four kinds of consciousness" (四個意識), adhere to "four kinds of self-confidence" (四個自信) and achieve "two kinds of upholding" (兩個維護), in order to practically align their thoughts and actions to the spirit of the important instructions made by General Secretary Xi Jinping, and make their best endeavours in pandemic prevention and control work with a strong sense of political awareness and responsibility.

## Environmental, Social and Governance Report

On 9 February, to give full support to the pandemic prevention and control work in Hubei and join forces for winning the pandemic prevention and control battle, the Company actively responded the calls from the provincial SASAC and the Group Company's party committee by organising the "Fighting Against Pandemic" (抗擊疫情) fundraising event. The event was generously responded by our party members and staff members and raised funds of approximately RMB50,000, which proved the noble sentiment of Qilu Expressway's people about "when a disaster strikes, help comes from all quarters" (一方有難·八方支援) and their confidence and determination in winning the anti-pandemic battle.

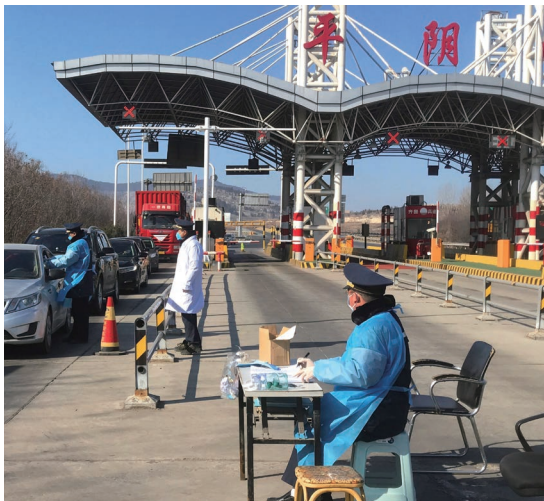
To strengthen the organisational leadership and give full play to the fighting stronghold role of party branches and the vanguard and exemplary role of party members in the pandemic prevention and control battle, the Company's party committee initiated the "Raise the Party Flag High and Serve as a Vanguard Role Model" (黨旗高擎·先鋒示範) campaign and set up a vanguard team comprising 13 party members with party branches as unit. After the launch of the campaign, all branches made quick responses. They strengthened the coordination, leadership and organisational arrangements on pandemic prevention and control work, properly fulfilled the responsibilities for joint prevention and control, implemented all task requirements, with the main comrades in-charge taking the lead at the forefront, followed by party branch members. By adopting a flexible approach and having learnt from the CCCPC's "Notice on Strengthening Party Leadership and Providing Firm Political Guarantee for Winning the Pandemic Prevention and Control Battle" (《關於加強黨的領導、為打贏疫情防控阻擊戰提供堅強政治保證的通知》) and the spirits of advanced and typical stories about the pandemic prevention and control battle such as the Group Company's "Decision on Learning from Outstanding Party Member Comrade Yu Zhengzhou" (《關於開展向優秀共產黨員于正洲同志學習活動的決定》), they deeply understood the political importance of working on pandemic prevention and control, and considered fighting against the pandemic as the most important and the most urgent political mission for the time being, so they gave full play to the fighting stronghold role of party branches. Our party members and comrades ushered youth league members and active party membership applicants to be fearlessly and selflessly dedicated themselves in taking the lead with a strong sense of political awareness, ideological awareness and action awareness in resolutely responding to the call for proactively assuming the tasks and missions as assigned by party organisations. They continued to increase and promote the awareness of prevention and control, and insisted on implementing the safety prevention and control measures such as "no home visit, no gathering, no shared meal" (不串門、不聚會、不聚餐) and "wear mask, always wash hands and more ventilation" (戴口罩、勤洗手、多通風), in order to set up a tight defence together for joint prevention and control. They also provided guidance to staff members on strengthening self-defence, engaging in joint prevention and control, easing moods, increasing confidence and not believing or spreading rumors, striving to serve as good caretakers and main backbones for staff members, and remaining united to resolutely win the pandemic prevention and control battle. As such, the consistent implementation of CCCPC's material decisions and plans was ensured, which enabled the party flag to fly high at the forefront of pandemic prevention and control battle.

## Environmental, Social and Governance Report

### §4.2 To Adopt Multiple Measures for Deeper Implementation

In order to aggressively fight against the pandemic companywide, staff members of the Company, branch companies and toll stations worked all together and adopted multiple measures to ensure effective implementation of pandemic prevention and control work.

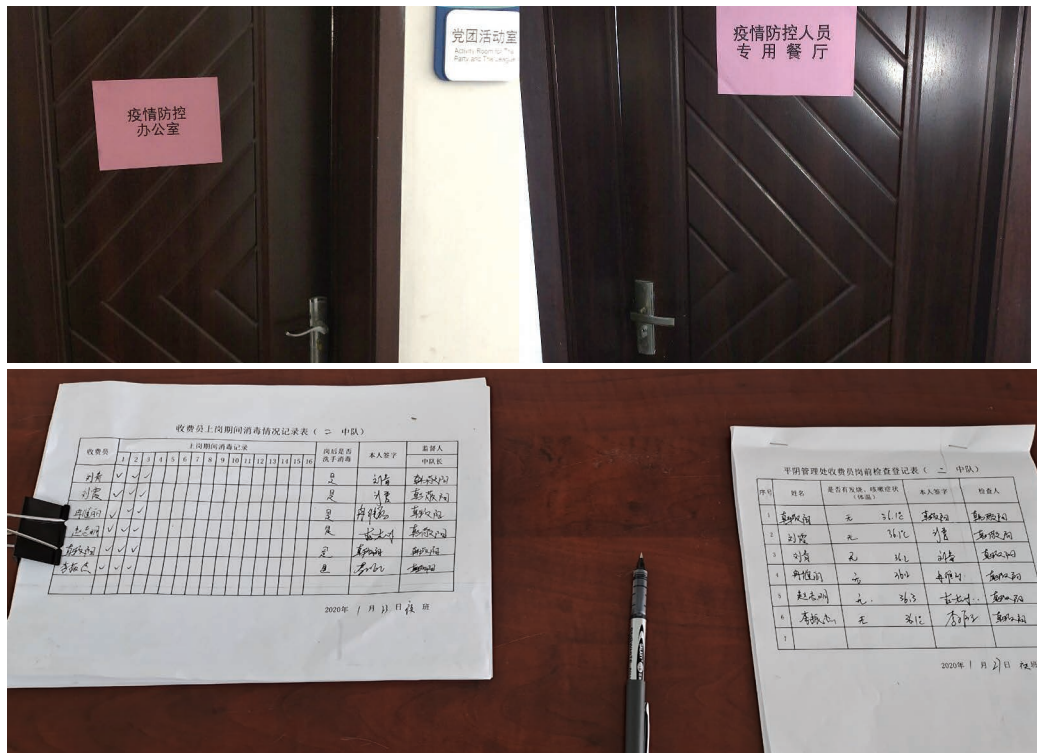
- > First was to safeguard the first line of defence: To fully protect our employees from virus attack, it was mandatory to carry out regular disinfection in office buildings, dormitories, guard posts, canteens and other areas at all stations and strictly conduct body temperature measurement for staff on duty before work, and all employees must wear masks, gloves and other protective items during work;





## Environmental, Social and Governance Report

- > Second was to open green channels to ensure smooth passage of certain vehicles: There were 14 green channels opened at stations to ensure the free-of-charge, prioritised and quick passage of ambulances, pandemic prevention vehicles, and vehicles carrying medical staff, medical drugs and equipment and living supplies;
- > Third was to keep close cooperation in virus testing: In full cooperation with the local government, the Company set up 9 health quarantine centres along the expressways. For those who were not employees of the Company accessing the office areas in toll stations, we set up body temperature measurement spots at toll plazas, and strictly followed the steps of “Ask, Test and Exam” (一問二測三查驗), i.e. to ask about the reason of access, to ask about the details regarding the cross-provincial travels, in particular of the details regarding departure from, arrival in and transit through Hubei, to ask whether they were tested positive or have contacted with suspected patients, and ask if they have had symptoms such as fever and dry cough in last 14 days. At check posts, we were equipped with “six requisites” (六具備) for examination, namely, dedicated teams, forehead infrared thermometers, sanitising spray bottles, alcohol, tissues and registration books. We adopted proactive and effective measures to disinfect the toll booths, required all employees on duty at toll booths to wear protective gears, and strictly managed the process of business operation. First, at the exits of toll stations, we assisted the pandemic prevention department to check the body temperatures of drivers and passengers, disinfect vehicles and advise vehicles heading to critical areas to return. Second, we carried out disinfection procedures at toll station areas and guard posts twice every day. Third, toll collectors on duty must wear masks and disposable gloves. Fourth, all returned CPC cards were disinfected in one single location. While keeping good records and reporting as required, we provided the staff members at quarantine centres and other sites with workplace, rest areas and meals and all necessary back-up support;



Records on pandemic monitoring and designated areas set up for pandemic prevention and control

## Environmental, Social and Governance Report

- > Fourth was to procure and stock up sufficient protective supplies during the pandemic: To ensure the safety of our frontline people and in order to set up a strong defence for joint prevention and control work, the Company coordinated with the relevant entities, procured and formulated 300L of alcohol, 1,000 bottles of 84 disinfectants, 7,000 pieces of medical protective mask, 400 pairs of medical goggles, 5,000 pairs of latex medical gloves and 14 units of hand-held thermometer;
- > Fifth was to carry out publicity and guidance work: Since the pandemic outbreak, the Company has used various channels such as OA notice and WeChat business group to recommend all units and staff members to cancel spring gatherings, annual banquets and other social activities. In addition, the Company requested all staff members to heighten vigilance, not to believe or spread rumors, to remain committed to duties, be devoted to their jobs, build up team spirit, do their best and make resolute effort in pandemic prevention and control work. Besides, we posted timely notices on knowledge of pandemic prevention and control and the related information on company website, notice boards and digital monitors, to ensure the smooth communication of information;



Public service advertisements on pandemic prevention and control

- > Sixth was to keep our food safe: All units were required to clearly know the food supply channels of canteens, ensure regular meal supply, and guarantee the safety of food during the period of joint pandemic prevention and control.

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### §4.3 To Enhance the Position and Fight a Scientific Pandemic Battle

In order to achieve better performance at the next stage of work, the Company set the following requirements: First is to enhance its political position. All units were required to thoroughly implement the spirit of important instructions and directions and work requirements of the authorities and departments at all levels with regard to pandemic prevention and control, and communicate them to every staff member in every post at all levels, in order to practically, specifically and strictly put them in place having regard to the actual circumstances of the Company. Second is to strengthen self-defence. All units were required to seriously round up the experience gained from the previous stage of work, sort out existing issues and increase disciplinary and supervision efforts, so as to lay a concrete foundation for the next stage of work. Third is to foster righteousness and strictly prohibit the spread of rumors. All units were required to enhance the publicity and popularity of knowledge about pandemic prevention and control. They should have a proper understanding of, keep close cooperation and make scientific involvement in, pandemic prevention and control. Fourth is to convey proper ideology to our people. We encouraged our employees to have a balanced diet, do regular exercise, quit smoking and limit alcohol, get adequate sleep, keep optimistic and maintain healthy lifestyles.

Since the pandemic outbreak up to the end of June 2020, the Company has reported over 1,000 pieces of pandemic information. We also conducted 4 investigations on all employees and found 13 staff members and their family members were subject to self-isolation due to going out or other reasons. No suspected or confirmed cases were reported. To tackle with such an unexpected and serious pandemic, the Company gathered all of its strengths to promptly devote itself to fighting against the pandemic. This not only proved the Company's resilience in occurrence of public contingencies, but also reflected the Company's social accountability and commitment.

## §5 ECOLOGICAL PRIORITY AND GREEN COMMITMENT

Ecological priority and green development are guiding principles that the Company has always adhered to, and are also targets and driving forces that propel the Company moving forward. The Company attaches great importance to ecological and environmental conservation. Upholding the goal of achieving green development, the Company strictly observes the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other laws and regulations.

In 2020, there were no non-compliances with relevant environmental laws and regulations that have a significant impact on the Company.

### §5.1 Efficient Use of Resources

In the course of operation, the Company consumes energy sources and other resources which mainly include gasoline, diesel, natural gas, electricity, water and paper. Gasoline and diesel are mainly used for driving motor vehicles, with a small amount of diesel used for power generation. Natural gas is used at canteens. Electricity is mainly used for office and equipment operation. Water resources mainly include water for domestic use and drinking water. In addition, at offices, the Company consumes office supplies, such as paper.

Energy consumption volume and intensity of the Company in 2020

| Type                               | Consumption volume | Unit                  |
|------------------------------------|--------------------|-----------------------|
| Electricity                        | 8,073,344.60       | kilowatt-hours        |
| Gasoline                           | 57.46              | tonnes                |
| Diesel                             | 83.84              | tonnes                |
| Natural gas                        | 1,078              | standard cubic metres |
| Total energy consumption volume    | 9,766,916.59       | kilowatt-hours        |
| Total energy consumption intensity | 14,216.76          | kilowatt-hours/person |



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In order to reduce electricity consumption in the course of operation, the Company uses energy-efficient electrical appliances such as LED lamps. The Company also plays an active role in promoting electricity conservation. Our employees are requested to timely shut down computers that are idle or not in use within two hours, so as to ensure that “computers are shut down and powered off when left” (人走機關·機關電斷). Our employees are also requested to turn off the lights, water dispensers, printers, air-conditioners and other electrical appliances in offices and disconnect them from power before leaving office. The Company uses eco-light lamps in all lighting facilities and conducts regular checks to prevent leakage and waste of electricity. Corridors lights on all floors are switched on at intervals, and are checked by the responsible staff every day after office hours to ensure they are all switched off. Ice buildups in freezers are timely removed to prevent freezers from operating at high power consumption rate.

In order to use less paper, the Company adopts the OA system to build a paperless office for reducing paper consumption. For paper printing, if single-sided printing is not mandatory, we print paper on double sides as practicable as possible. For single-sided printed paper, we use the blank side for photocopying or cut the paper and use it as memo or draft paper. We reduce the use of disposable cups as much as possible, and prepare disinfected ceramic cups for serving visitors and meetings.

Water consumption volume and intensity of the Company in 2020

| Type                              | Consumption volume | Unit                |
|-----------------------------------|--------------------|---------------------|
| Total water consumption volume    | 91,009             | cubic metres        |
| Total water consumption intensity | 132.47             | cubic metres/person |

To reduce the use of water resources, the Company’s water mains connected to the cooking ranges at canteens are required to be timely turned off when not in use, and are not allowed to keep open all the time. The Company has the “Save Water” slogan posted at all water use points, to remind employees of cherishing water and using it in a rational manner. At canteens, water is used on a qualitative and quantitative basis according to the properties of raw materials for processing. Unused running water is carried with containers. Water mains connected to the cooking ranges are required to be timely turned off when not in use, and are not allowed to keep open all the time. No water should be kept in water storage tanks overnight. Steamers should be timely cut off from water supply when not in use and excess water in steamers should be removed. Running water is not allowed to be used for defrosting frozen and chilled raw materials. When cleaning the operation areas, the quantity of water we use is adequate just for keeping the areas clean. When cleaning the dining areas, employees are not allowed to splash water on the floor directly and must use damp mops to clean it instead. The Company sources water from the municipal water distribution network. In 2020, there was no issue in sourcing water.

## Environmental, Social and Governance Report

Moreover, Shandong Gangtong Construction, a subordinate company of the Company, consumed raw materials including cement, gravel and asphalt in the course of operation during the Year, the consumption volume of which are shown in the table below:

Raw material consumption volume and intensity of Shandong Gangtong Construction in 2020

| Type    | Consumption volume | Unit   |
|---------|--------------------|--------|
| Cement  | 7,000              | tonnes |
| Gravel  | 150,000            | tonnes |
| Asphalt | 2,000              | tonnes |

### §5.2 Pollutant Emission Reduction

The Company's air emissions are mainly the direct greenhouse gases, sulphur dioxide, nitrogen oxide and particulates emitted from driving business vehicles and construction vehicles during the combustion of gasoline and diesel and from canteens during the combustion of natural gas, and the exhaust gas emitted from the mechanical equipment of Shandong Gangtong Construction. In the meantime, the consumption of electricity in the course of office operation, equipment operation and heat supply of the Company indirectly emits greenhouse gases. In strict compliance with the "Management Practices of Qilu Expressway Company Limited for the Provision and Use of Business Vehicles 《齊魯高速公路股份有限公司公務用車配備使用管理辦法》", the Company reduces emissions of direct greenhouse gas and exhaust gas by lowering fuel and electricity consumption mainly through business vehicle management.

The Company discharges hazardous waste that is generated in the course of office operation including waste toner cartridges, waste ink cartridges, waste lamps and waste batteries. The Company also discharges non-hazardous waste which mainly comprises paper and domestic waste. For hazardous waste such as waste toner cartridges and waste ink cartridges, the Company adopts a centralised approach to collect them in one single location for treatment. During the pandemic, the Company provides lidded bins bearing a sign saying "used masks" for the disposal of used masks. Those bins are then collected by the environmental hygiene department for treatment, the process of which includes safe disinfection, cleaning and incineration. Recycling and sorting of bins are prohibited. For domestic waste including the food waste discharged by Shunguang Media, the Company engages property management companies to handle the treatment. In addition, each of the Company's toll stations has its own sewage treatment facilities. After treatment, the sewage will meet the standard for discharge.

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Pollutant emissions of the Company in 2020

| Type                   | Pollutants                                  | Emission volume | Unit  |
|------------------------|---|-----------------|---|
| Air and greenhouse gas | Sulphur dioxide                             | 1.55            | kilograms   |
|                        | Nitrogen oxides                             | 71.64           | kilograms   |
|                        | Particulate matters                         | 5.39            | kilograms   |
|                        | Volume of direct greenhouse gas emissions   | 149.21          | tonnes carbon dioxide equivalent (tCO <sub>2</sub> e) |
|                        | Volume of indirect greenhouse gas emissions | 4,893.82        | tCO <sub>2</sub> e                                    |
|                        | Total volume of greenhouse gas emissions    | 5,043.03        | tCO <sub>2</sub> e                                    |
|                        | Intensity of greenhouse gas emissions       | 0.03            | tCO <sub>2</sub> e/RMB ten thousand revenue           |
| Wastewater             | Wastewater                                  | 47,430          | cubic metres  |
| Solid waste            | Hazardous waste                             | 399.50          | kilograms   |
|                        | Ink cartridges                              | 51.50           | kilograms   |
|                        | Toner cartridges                            | 249.00          | kilograms   |
|                        | Fluorescent lamps                           | 72.00           | kilograms   |
|                        | Batteries                                   | 27.00           | kilograms   |
|                        | Non-hazardous waste                         | 69,230.00       | kilograms   |
|                        | Paper                                       | 5,630.00        | kilograms   |
|                        | Domestic waste                              | 58,600.00       | kilograms   |
|                        | Bottom ash                                  | 5,000           | kilograms   |

Shandong Gangtong Construction produces pollutants mainly including wastewater and non-hazardous waste. The non-hazardous waste comprises domestic waste and particulate matters that are generated at its mixing plants during production. For the particulate matters generated from the mixing plants of Shandong Gangtong Construction during production mainly when feeding materials, the Company treats it with water-stable production lines in a closed plant equipped with spraying and dust removal devices. The waste is then sent to the environmental authorities for inspection and acceptance, which meets the passing standard. The wastewater generated from the car washing stations at mixing plants is reused after sedimentation process in sedimentation tank.

At Shandong Gangtong Construction's mixing plants, construction noise is created and construction waste and scraps are generated during construction. To mitigate the impact of the noise of project construction, for construction sites which are close to residential areas, the company arranges the construction to be carried out during daytime and reduces night-time construction work as much as practicable, so as to minimise the impact of construction noise on the neighbourhood. The construction waste and scraps are collected in a timely manner and then sent to the landfill sites designated by the government for disposal. At all stages of construction work, the company always attaches great importance to environmental protection. Therefore, the company are in strict compliance with the six 100% standards for construction sites in Jinan City,

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i.e. the excavated soil material is fully covered, wet operation is adopted by using fog cannons equipped in earthwork construction water tankers, transport vehicles are fully closed, construction sites are fenced off if the condition allows, pioneer roads are hardened and water sprayed, and vehicles accessing plant areas are thoroughly washed.

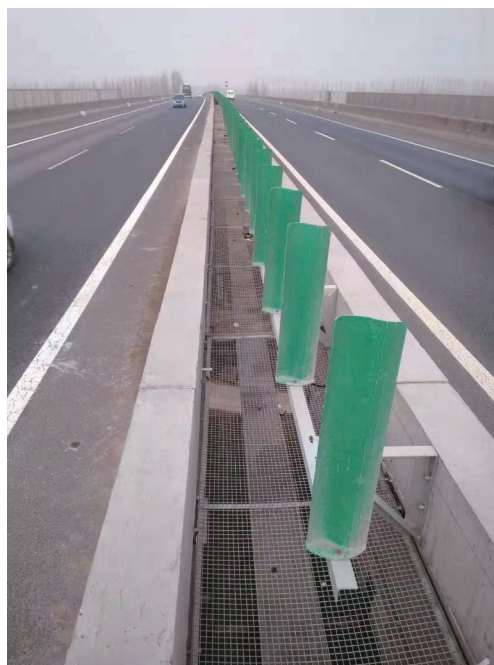
The Company' highway maintenance projects are outsourced to construction entities for through bidding. The construction entities shall be responsible for waste disposal while the Company shall be responsible for supervision and inspection. It is not allowed to dispose the construction waste on highway sections. All rubbish cleared from central reservations and side ditches of the expressways are all transferred to the environmental hygiene department for centralised treatment.

In 2020, there were no non-compliances that have a significant impact on the Company.

In the future, the Company will strengthen the management of hazardous waste. It is the plan of the Company to engage a qualified dangerous waste treatment company for the treatment.

### §5.3 The Environment and Natural Resources

With reference to the requirements of the Design Specifications for Highway Safety Facilities 《公路交通安全設施設計規範》(JTG D81-2017) and the Design Guidelines for Highway Safety Facilities 《公路交通安全設施設計細則》(JTG/T D81-2017), the protection of parapets along some bridges over sensitive water areas such as those existing bridges over rivers under the South-North Water Transfer Project is inadequate. Accordingly, the Company upgraded the parapets along Daqing River Bridge and Liangji Canal Bridge over water waters and installed additional anti-throwing fence at the sides and in the central reservations of the two bridges, to ensure the rivers are clear of falling objects or pollutants from the highways.



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To prevent the slopes from rain flushing, the Company changed the kerbside drainage system along part of the Pingyin South and Dongping sections from decentralised to centralised.



This year, the Company also formulated the “Contingency Plan for Public Environmental Pollution and Ecological Destruction Emergencies” (環境污染和生態破壞突發公共事件應急預案), setting out the contingency management and contingency response procedures for public environmental pollution and ecological destruction incidents and calamities. The purpose is to carry out timely and effective emergency relief work in case any such incident or calamity occurs, so as to minimise the number of injuries and deaths, the environmental impact and property loss, to protect lives and safety in the neighbourhood, to safeguard local social stability and ensure smooth completion of project construction works.

### §6 NURTURING, ENABLING AND INTEGRATION OF TALENTS

#### §6.1 Employment Equality and Protection of Interests

##### §6.1.1 Employment equality

Employees are the core competitive strength of an enterprise. Therefore, the Company strongly believes that adhering to the people-oriented development philosophy is a prerequisite to ensuring its sustainability. Mature employment system, harmonious employee relations, favourable working environment, reasonable incentives and protected employee rights are also key factors for an enterprise to build a strong cohesion.

The Company strictly complies with the Labour Law of the People’s Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People’s Republic of China 《中華人民共和國勞動合同法》, the Social Insurance Law of the People’s Republic of China 《中華人民共和國社會保險法》, the Interim Provisions on Payment of Wages 《工資支付暫行規定》 and other laws and regulations. Having regard to its own actual circumstances, the Company has formulated and improved its “Remuneration Management Practices”, 《薪酬管理辦法》,

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“Attendance Management Practices 《考勤管理辦法》”, “Penalties for Breach of Discipline and Regulations by Employees” 《職工違紀違規行為處分規定》”, “Management Practices for Labour Contracts” 《勞動合同管理辦法》”, “Management Practices for Flexible Employment Recruitment and Dismissal” 《員工能進能出管理辦法》 and other systems and practices, to accommodate the demand for corporate business development, establish a sound incentive mechanism, develop a scientifically reasonable distribution system, protect employees’ legitimate rights, mobilise employees’ enthusiasm and creativity, and boost employees’ work efficiency and the Company’s business efficiency.

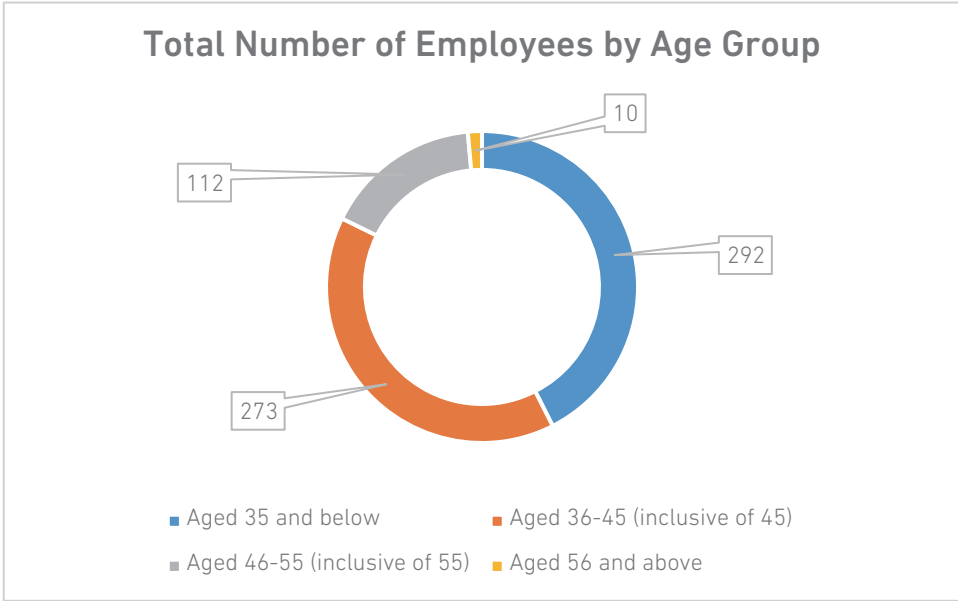
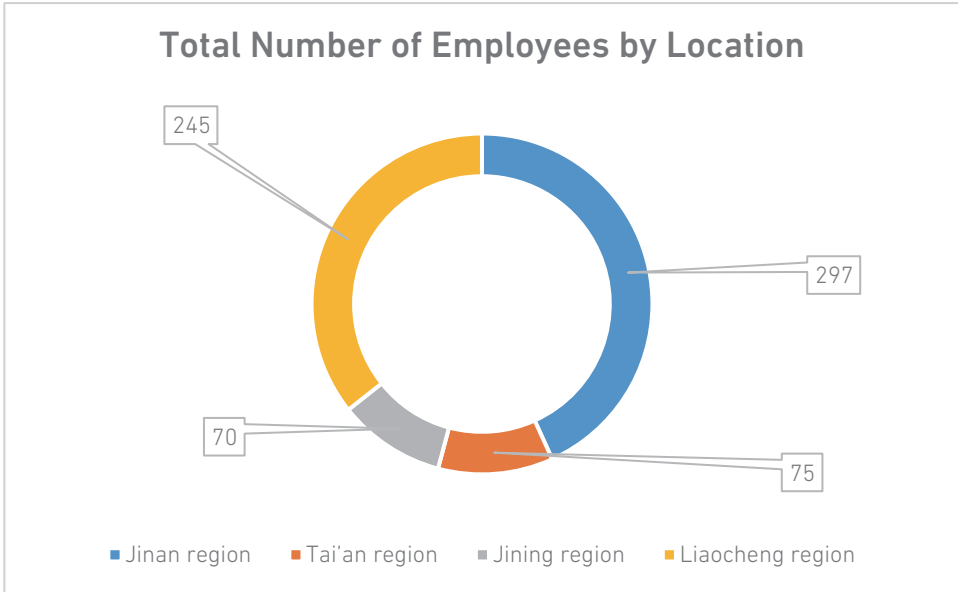
Adhering to the principles of fairness, impartiality and openness, the Company recruits talents who abide by the law and discipline and are suitable for the position by means of internal selection or external recruitment. In case an employee causes serious harm to the interest of the Company or is subject to criminal liability accordingly to the law due to his/her severe violation of labour discipline or the Company’s regulations, gross negligence and malpractice, the Company will take dismissal measures against him/her. In 2020, the Company did not dismiss any employee for the reason of the above behaviours.

The Company is committed to gender equality and the principle of equal pay for equal work. In compliance with the law, the Company enters into labour contracts with all employees, and strictly implements various labour protection policies. When recruiting employees, candidates will not be treated differently on the basis of ethnicity, race, gender and religion.

As at 31 December 2020, the Company had a total of 687 employees, 253 of them are female, representing approximately 37% of the total number of employees. (The above figures are consistent with those set out in the annual report, and include 47 employees of its subsidiaries<sup>2</sup>, but exclude 5 independent Directors, 2 independent Supervisors and 27 despatched workers who were salaried by the Company).

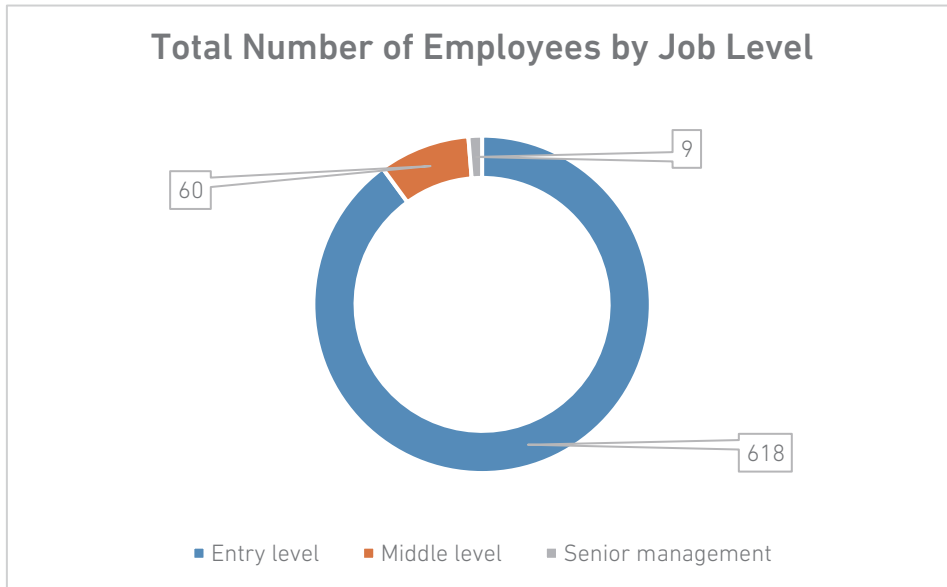
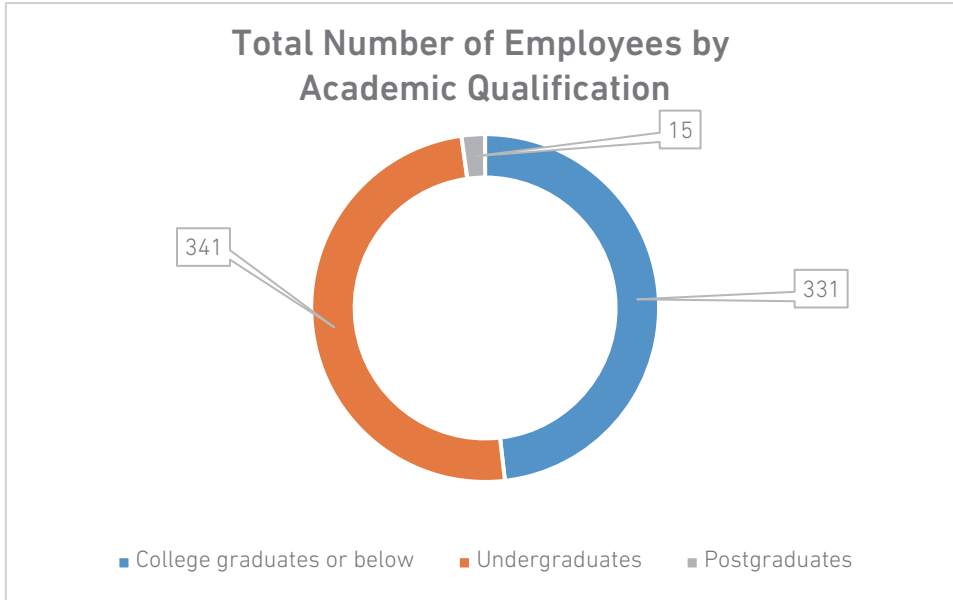
<sup>2</sup> Comprising 5 employees of Shunguang Media, 1 employee of a Hong Kong company and 41 employees of Shandong Gangtong Construction

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In 2020, the Company had a total employee turnover of 4, representing an employee turnover rate of 0.97%. Among them, 3 were male and 1 was female. 2 of them were from Jinan, 1 was from Tai'an and 1 was from Jining. 2 of them were aged 35 and below, 1 was a retiree who was aged 46-55 (inclusive of 55) and 1 was a retiree who was aged 56 and above. In terms of academic qualification, 1 of them was an undergraduate, 3 of them were college graduates and below. They were all employees at entry level.

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| Classification of<br>employee turnover<br><br>Category | Gender |        | Location |        |        | Age                     |               |                  | Academic qualification |                                  | Job<br>level   |
|--|--------|--------|----------|--------|--------|-------------------------|---------------|------------------|------------------------|----------------------------------|----------------|
|  | Male   | Female | Jinan    | Tia'an | Jining | Aged 35<br>and<br>below | Aged<br>46-55 | Aged<br>55 above | Undergraduate          | College<br>graduate<br>and below | Entry<br>level |
| Number of individuals                                  | 3      | 1      | 2        | 1      | 1      | 2                       | 1             | 1                | 1                      | 3                                | 4              |

The Company strictly implements the laws and regulations of government authorities at all levels regarding employees' working hours and holidays, and arranges reasonable work schedules for them. Employees are entitled to paid annual leave, maternity leave, paternity leave, marriage leave and funeral leave.

In 2020, there were no non-compliances with relevant laws and regulations that have a significant impact on the Company relating to employment, recruitment and dismissal, equal opportunity and anti-discrimination.

### §6.1.2 Remuneration and Benefits

On the principles of making distribution according to work, responsibility and contribution, fixing and adjusting salary according to job position, and equal pay for equal work, the Company has established a remuneration distribution system and a dynamic remuneration management mechanism whereby employees are remunerated with reference to their job position and work performance. Under the system of the Company, employees can have a regular pay raise every year, having taken into consideration of other factors such as passing the three-year performance assessment, general adjustments and adjustment to basic salary according to the Company's system. Monthly salary is verified and paid according to the attendance provided by each unit. In 2020, there were no irregularities relating to remuneration packages.

In compliance with the requirements of national and local laws and regulations, the Company pays basic pension insurance, unemployment insurance, work-related injury insurance, medical insurance and housing provident fund in full and on schedule each month for all employees. In the meantime, to ensure and improve the standard of employees' post-employment benefits, to keep employees healthy, to mobilise their enthusiasm for work and to promote a healthy and sustainable corporate development, the Company also regularly pays enterprise annuities and supplementary medical insurance for all employees who have passed probation period.

For female employees who breastfeed their less than 1-year-old infants, they are arranged 1 hour of breastfeeding time during working hours each day. For female employees who have multiple birth infants, they are provided 1 more hour of breastfeeding time for every additional infant. For those who are unable to work, they may be entitled to an extended breastfeeding leave of less than 6 months after submitting their own written applications and obtaining approval in accordance with relevant procedures (if the nature of work allows so).

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### §6.2 Health and Safety of Staff

To thoroughly implement the Law of the People's Republic of China on Work Safety 《中華人民共和國安全生產法》, the Company developed systems such as the "Human Resources Management System" 《人力資源管理制度》, the "Safety Management System" 《安全管理制度》 and the "Fire Management System" 《消防管理制度》, and set out therein the contents about safeguarding the health and safety of staff according to its actual circumstances. From the perspective of safety management, the Company compiled a safety manual for every job post. Staff members at all levels are required to sign safety responsibility statements which clearly define every job post and the job responsibilities of every employee. In addition, with reference to its "Quality, Environment and Occupational Health and Safety Management" (質量、環境、職業健康安全) standardisation document, the Company identifies hazardous sources and environmental factors on a regular basis, and thereby controls hazardous factors.

In respect of employees' physical health, the Company procures accidental injury insurance and accidental medical insurance for all employees to reduce the damage and loss to them arising from accidents. Every year, the Company organises medical examinations for all employees, and pays to them the high temperature subsidy and heating grant. In order to enrich the cultural lifestyle of employees after work and enhance corporate cohesiveness, the labour union of the Company organised the "Strolling in Golden Autumn and Embracing the Nature" (漫步金秋、擁抱自然) outdoor fitness walking event this year. The event provided an opportunity to the employees of the Company and the toll stations to put aside the busy and hectic work, enjoy the nature, improve physical fitness and strengthen exchanges.



"Strolling in Golden Autumn and Embracing the Nature" fitness walking event

In respect of the safety management of construction sites, the Company developed the "Procedures for Safety Operation" 《安全操作規程》 and other systems, specifying the procedures for operating every machine. The project department and stations put in place a daily safety and fire examination system and conduct safety education before work every day. The Company compiled a list of risk source identification and hazardous sources and based on which, the Company carries out periodic or special safety inspections, and make corrections in a timely manner in case any hidden danger is found. Meanwhile, in order to improve the responsiveness of employees in tackling emergencies, the Company actively organised fire drills and special fall from height training exercises for employees.

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Fall from height training and fire drill exercises

In 2020, there were no non-compliances relating to providing a safe working environment and protecting employees from occupational hazards. There were no work-related fatalities during the year, and thus the rate of work-related fatalities was zero. The Company recorded lost days due to work injury of 12 days.

### §6.3 Development and Training of Staff

“Making the best use of talents” has always been the philosophy of the Company’s talent-based employment system and employees’ sense of responsibility to do their best endeavours. The Company respects, cares, relies on, and develops talents. Therefore, the Company strives to create a good career development space for employees. Pursuant to the “Human Resources Management System” 《人力资源管理制度》 as to staff evaluation, the “Remuneration Management Practices” 《薪酬管理办法》 and the “Performance Evaluation Management Practices” 《绩效考核管理办法》, the Company conducts periodic staff evaluation based on the principles of objectiveness, impartiality, openness and standardisation, and determine staff promotion according to the evaluation results. Procedures for annual staff evaluation include: grading by the leaders of the Company, grading by immediate superiors and grading among employees. Evaluation results are divided into four grades, namely, Excellent, Passed, Basically Qualified and Failed. Employees can be promoted by one level if they have been graded as Passed for three consecutive years. In 2020, a total of 121 employees were qualified to be promoted by one grade level of their jobs through these assessment procedures.

In order to improve employees’ work competence and quality, mobilise their self-motivation, establish an outstanding team of staff members and promote mutual development and advancement between the Company and individuals, the Company organises staff training on a regular or irregular basis and encourages employees to participate in professional studies and skills training. Pursuant to the requirements of the Human Resources Management System 《人力资源管理制度》 as to training, departments and offices at headquarters and controlled entities should propose training needs and budget at the end of every year. After approval, the human resources department should uniformly develop the training plan for the next year and arrange and supervise over specific implementation.

The Company provides different kinds of staff training including induction training for new employees, regular training and irregular training. Induction training for new employees mainly covers corporate culture, personnel system and safety education. Regular training includes safety education training, toll collection exchange meeting, etc., and regular lectures organised by the Group Company. Irregular training covers new business updates and new policy introduction in accordance with national policies, market development and changes in the business of the Company.



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### *Safety Business Training*

In 2020, the Company organised a safety production and management training to deliver topics covering the “Keynote Speech of General Secretary Xi Jinping on Safety Production” (習近平總書記關於安全生產的重要論述), the “implementation of principal responsibility and aversion of safety risks” (落實主體責任、規避安全風險), the “Regulations on the Principal Responsibility on Safety Production of Production and Operation Entities in Shandong” (山東省生產經營單位安全生產主體責任規定), safety training and the establishment of “dual systems” (雙體系) for training and learning. Safety officers of all controlled entities and the departments and offices at headquarters were arranged to attend the training sessions on safety production system. The Company also organised fire safety drills and emergency escape from height training exercises. 75 employees from the headquarters of the Company were sent to focus on learning the laws and regulations on fire safety, general knowledge of fire escape and skills of operating common fire-fighting equipment.



### *Safety Operation Training*

The Company actively provided training about learning the “Procedures for Safety Operation” (《安全操作規程》) and expressways maintenance operation. In addition, the Company made further efforts in maintaining its qualifications and safety production accreditations, including arranging three types of safety officials to take classes and examinations, arranging special operation officers to attend training and examinations, and arranging Grade 1 and Grade 2 constructors to take examinations and apply for intermediate titles, so as to gradually increase the number of licence holders for meeting the qualification standards and requirements. The Company launched online continuing education for Grade 2 constructors to enhance their professional skills and working efficiency. This year, the Company also arranged training for all employees to learn the “Safety Management System” (《安全管理制度》), the “Procedures for Safety Operation” (《安全操作規程》) and accident precautionary measures.



Safety Training



Training on learning expressway maintenance operation

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### *Toll Collection Training*

Jointly with the emergency response centre and toll stations, the Company held a video training course about the standard regulations on operation and management services. The course aimed to elaborate on the toll collection services and the road clearance and rescue services set out in the “Standard Regulations on Expressway Operation and Management Services” 《高速公路運營管理服務標準規範》, to allow the safety operation department to align the inconsistencies between the actual tasks of all units and the standard regulations of the Group Company, and to set the implementation deadline for all units. After the training course, all units carried out targeted internal criticism and implementation works, which achieved good results. The Company also organised toll collection business exchange meetings. In late-May, the Company divided all toll collectors into two groups to hold toll collection business exchange meetings at Pingyin South toll station and Liangshan toll station. Representatives of the safety operation department, the information technology department and all toll stations attended the meetings.



### *Publicity Campaigns for Intellectual Properties and the Civil Code*

In order to further implement the important instructions of General Secretary Xi Jinping on the work related to intellectual properties, vigorously advocate cultural innovation and strengthen the publicity on intellectual properties, on the occasion of the 20th World Intellectual Property Day, the Company launched the intellectual property publicity week with the theme of “Intellectual Properties and Healthy China” between 20-26 April. The publicity campaign effectively popularised the legal knowledge in relation to intellectual properties, raised the consciousness on intellectual property protection and put it into practice, and created a positive sentiment for self-protection, regulated management and making good use of intellectual properties within the Company, which greatly inspired the potential of employees in innovation and laid a solid foundation for advancing the construction of smart transportation.

In order to thoroughly implement the important instructions of General Secretary Xi Jinping on the introduction of the Civil Code and meet the requirements of the provincial party committee, the provincial SASAC and the Group about making the “Civil Code Publicity Month” event a success, the Company made prompt preparations and adopted multiple approaches to launch the Civil Code publicity campaign.

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In the future, training will continue to serve as a foothold for the shared development of the Company and employees that can enhance the employees' sense of belonging to the Company and its cohesiveness, improve the comprehensive quality of the employees, increase production efficiency and service standard, establish a good corporate image, strengthen the Company's profitability and competitive advantages.

### §6.4 Labour Standards

The Company strictly observes the national laws and regulations such as the Regulations on Prohibition of Child Labour (《禁止使用童工規定》) and the Regulations of the State Council on Working Hours of Employees (《國務院關於職工工作時間的規定》). All employees of the Company are over 18 years old and there has been no child labour involved. All new recruits are required to complete a "Personal Data Collection Form" (《員工信息採集表》). The Company's examination department checks the truthfulness of the information and make timely correction if any problem is found. Child and forced labour is strictly prohibited. Working hours and holidays are arranged in strict accordance with national and local laws and regulations. Working hours and rest time of employees are reasonably scheduled. There has been no forced labour or non-compliances relating thereto.

### §7 CONSISTENT SERVICE, MUTUAL SUPPORT FOR MUTUAL BENEFITS

Product and service quality and safety are intuitive representations of corporate image, are profit-making entities on which substantial development rely, and are requisites of building brand reputation. The Company highly values the safe operation of its expressways and customers' feedback on them.



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### §7.1 Safe Operation

“Smooth, Safe, Comfortable and Beautiful” is the Company’s management goal for safe operation of expressways and services at toll stations. The Company has strictly complied with the Law of the People’s Republic of China on Work Safety 《中華人民共和國安全生產法》, the Law of the People’s Republic of China on Road Traffic Safety 《中華人民共和國道路交通安全法》 and the Regulations on the Principal Responsibility of Production and Operation Entities 《生產經營單位主體責任制規定》 of Shandong Province and other relevant laws, regulations and requirements. During the reporting period, the Company revised the “Duty System of Toll Highway Operation and Management” 《收費公路運營管理值班制度》, the “System of Regular Monthly Meeting for Toll Operation” 《收費運營月度例會制度》, the “Management Practices for Identity Card of Toll Collectors” 《收費人員身份卡管理辦法》, the “Practices for Handling Complaints about Toll Collection” 《收費投訴處理辦法》, the “Practices for Audit and Examination of Toll Operation” 《收費運營稽核考核辦法》, the “Toll Pass Management Practices” 《通行卡管理辦法》 and other systems related to toll operation. The Company also revised 12 integrated and special safety production systems, namely the “Safety Production Supervision and Management Practices” 《安全生產監督管理辦法》, the “Safety Production Management Examination Reward and Punishment Practices” 《安全生產管理考核獎懲辦法》, the “Safety Production Whistleblowing Reward and Punishment Practices” 《安全生產舉報獎懲辦法》, the “Risk Source Identification List” 《風險源辨識清單》, the “Job Safety Manual” 《崗位安全說明書》, the “Operation Procedures” 《操作規程》, the “Management Practices for Stocking Up of Emergency Supplies” 《應急物資儲備管理辦法》, the “Safety Fund Management Practices” 《安全經費管理辦法》, the “Management Practices for Road Operation Safety” 《道路運營安全管理辦法》, the “Office Building Fire Safety System” 《辦公樓消防安全制度》, the “Management Practices for Expressway Maintenance Safety” 《高速公路養護安全管理辦法》 and the “Information Safety Management Practices” 《信息安全辦法》. The “Guide to Contingency Plans” 《應急預案匯編》 was also amended as to 1 integrated contingency plan and 10 special contingency plans.

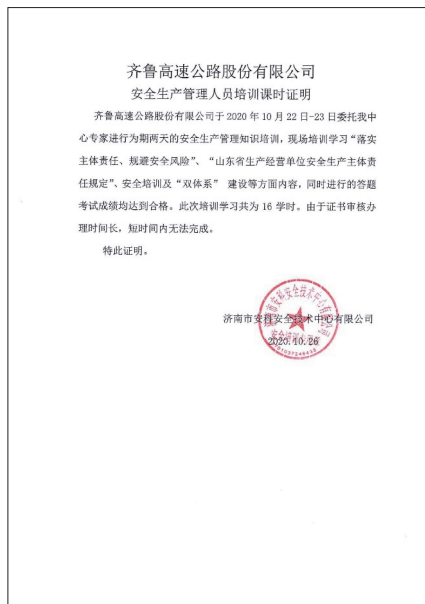
Pursuant to the system requirements of the Measures for the Assessment of Safety Production Responsibility System 《安全生產責任制考核辦法》, the Company has signed the Letter of Responsibility on Safety Production Management 《安全生產管理責任書》 with various departments and offices, toll stations, maintenance and emergency response departments and the holding companies (hereinafter referred to as the “Various Entities”) and delegated the Safe Production Committee to organise the assessments. In addition, the Various Entities have signed a Letter of Responsibility on Safety Production Target 《安全生產目標責任書》 with each of their employees and carried out their own assessments, the results of which were reported to the Safety Production Committee for summarisation and review. The Company gives rewards and makes punishments based on the safety production assessment on a monthly and annual basis.

The Company has developed and strictly implementation a clearly defined safety production management system with clear classifications. In 2020, there were no non-compliances relating to product and service responsibility that have a significant impact on the Company. In respect of safety production, this year, we continued to adhere to the principle of “one case, one report and report all cases” (一事一報·有事必報) and the “Zero Report” (零報告) system. In addition, Monthly Report on Safety Production Incidents 《安全生產事故月報表》 is submitted each month as required by superior units. Similarly, we require the Various Entities of the Company to submit monthly reports, and make punishments for late filings and omissions pursuant to the requirements. According to the inspection and the monthly reports on safety production incidents, there were no such issues during the year.

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### §7.1.1 Improvement of Safety Production Awareness of Staff

With reference to the Regulations on Safety Training of Production and Operation Entities (《生產經營單位安全培訓規定》) of the State and the Regulations on the Principal Responsibility on Safety Production of Production and Operation Entities (《生產經營單位安全生產主體責任規定》) of Shandong Province, the Company developed the “Safety Production Training System” (《安全生產培訓制度》) according to its own circumstances. The system requires that participants of safety training shall include persons in charge, safety management personnel, special operation personnel and other employees. Training topics shall cover national regulations and policies, case studies, basic safety knowledge, regulations and systems on safety production, procedures for safety operation and other matters. Our training work had a coverage of 100% and the pass rate reached 100%. During the year, the Company unified the training for all safety management personnel, and received the “Certificate of Passing the Safety Education Training (《安全教育培訓合格證書》)” from the Jinan Safety Science and Technology Centre (濟南市安全科學技術中心). The Company also organised training sessions such as “Implementation of the Principal Responsibility on Safety and Production of Production and Operation Entities Regarding “Eliminating Hidden Dangers and Building Safety Defence”” (《生產經營單位安全生產主體責任落實“消除事故隱患、牢築安全防線”》), the “Hidden Danger Investigations and Emergency Response Preparedness Exercises and Escape from Height” (《隱患排查&應急演練&高層逃生》) and “Job Safety Manual” (《崗位安全說明書》).



Certificate of Passing the Safety Education Training received by the Company

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Special safety education training organised by the Company

To seriously and thoroughly implement the “Plan for “Safety Production Month” Event for Projects under Construction of City Traffic Engineering 2020” 《全市交通工程在建項目2020年“安全生產月”活動方案》 of the State and superior administrative units, in June 2020, the Company concretely launched the “Safety Production Month” (安全生產月) event of 2020 by focusing on the theme of “eliminating hidden dangers and building safety defence” (消除事故隱患·築牢安全防線). The event further strengthened the consciousness of all project staff members and frontline construction workers on safety, and promoted the creation of project safety culture, which laid a solid foundation for the next step of safety production. Led by Mr. Liu Liangrong, the deputy general manager of Qilu Expressway Company Limited, and witnessed by all officers of the project office, supervision department and project department, all employees solemnly swore in the Safety Production Month event to “be loyal to the Company, cherish lives, observe safety regulations, perform safety duties, adopt scientific management, comply with code of conduct, prevent accidents, eliminate hidden dangers, work diligently and ensure safety.”

### §7.1.2 Improvement of the Safety Operation Level of Roads

In order to accommodate the needs for modern road construction, the Company developed the “Software Management System” 《軟件管理制度》, the “Management System for the Maintenance of Expressway Information Systems” 《高速公路信息系統維養管理制度》, the “Cybersecurity Management Practices” 《網絡安全管理辦法》, the “Management Practices for Spare Parts of Information Systems” 《信息系統備品備件管理辦法》 and the “Management System for the Operation and Maintenance of Information Systems” 《信息系統運行維護管理制度》, and applied them into daily road management. The Company introduced smart facilities and systems in respect of toll collection, communication and surveillance for strengthening road information management. In addition, the Company continued to use, adopt into road management, and further upgrade, its self-designed “video analysis technology-based road abnormalities alert system” (基於視頻分析技術的道路異常事件預警系統).

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The alert system is designed to analyse the existing high-definition road videos by using the relevant equipment and system software, detect abnormalities and automatically pop up the videos on the computer terminal at the control centre, and then alert the passing vehicles about the incidents through roadside equipment, for the purposes of reducing the possibility of secondary incidents to occur, enhancing road abnormality detection, alert and quick handling capabilities, and thereby providing passing drivers and passengers with high-quality road access services. The system embodies the Company's good sense of social responsibility and has enhanced the corporate economic and social benefits.

During the year, the Company optimised and upgraded the alert system by using the existing surveillance system at the Jihe Expressway and the back-end server to collect video data, and by using intelligent algorithm to detect and record special incidents. Warning lights along the sides of expressways will be automatically turned on according to that incident. The upgraded system is able to detect and judge road congestion and in the occurrence of a special incident, the specified display screen will activate real-time video projection with voice warning alert. When a special incident occurs, the system will generate brief descriptions of the incident and show the descriptions on the video projection screen including the time, location, direction and type of the special incident. Warning lights along roadsides will be turned on and off appropriately based on the nature of the special incident and the seriousness of the congestion.

In view of the fact that bad weathers are increasingly hazardous to the safety of expressways, while upgrading the alert system, the Company introduced meteorological monitoring equipment to check meteorological indicator data. Through data analysis, the equipment can give out alert signals which facilitate the Company to take corresponding measures in a timely manner, so as to ensure the safety of roads and passing vehicles.

In response to the national "Safeguarding Cybersecurity" (護網) action in 2020, the Company provided all employees with training about cybersecurity and launched policy publicity and implementation exercises. It also installed firewalls on the toll systems at toll stations, installed intrusion prevention systems (IPS), log audit systems and bastion hosts at branch centres (i.e. tolling network outlets), and enhanced training for maintenance personnel to further develop their skills.

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In terms of road maintenance, upholding the people-oriented and users-first concepts, the Company fulfilled the “serving the public better” and “safer, smoother, more efficient and more harmonious” requirements by further refining its maintenance management and strengthening the management of road maintenance safety. The Company also formulated the “Expressway Maintenance Management Practices” (《高速公路養護管理辦法》), the “Expressway Bridge Maintenance Management Practices” (《高速公路橋樑養護管理辦法》), the “Expressway Road Construction Management Practices” (《高速公路涉路工程管理辦法》), the “Management Standards for Expressway Maintenance Construction Operation Safety” (《高速公路養護作施工作業安全管理規範》) and the “Major and Intermediate Repair and Special Construction Management Practices” (《大中修及專項工程管理辦法》).

The Company carries out road maintenance work in strict accordance with the national industry standardisation documents namely the Technical Specifications of Maintenance for Highway (《公路養護技術規範》) and the Technical Specifications of Maintenance of Highway Bridges and Culverts (《公路橋涵養護規範》), the Administrative Measures for Highway Maintenance Projects (《公路養護工程管理辦法》) of the Ministry of Transport, and the Company’s various maintenance management systems such as the “Expressway Maintenance Management Practices” (《高速公路養護管理辦法》), the “Major and Intermediate Expressway Repair and Special Construction Management Practices” (《高速公路大中修及專項工程管理辦法》) and the “Expressway Bridge and Tunnel Maintenance Management Practices” (《高速公路橋隧養護管理辦法》), which include the routine maintenance, preventive maintenance, reparative maintenance and special maintenance of the roads, bridges and culverts, traffic safety facilities, slope protection and ancillary facilities of the Jihe Expressway under the management of the Company. Pursuant to the Measures for Completion/Delivery and Acceptance of Highway Construction (《公路工程竣(交)工驗收辦法》) of the Ministry of Transport, the rate of excellent maintenance project quality reached 100%. Pursuant to the national industry standardisation document of the Evaluation Standards for Technical Condition of Highway (《公路技術狀況評定標準》), the rate of excellent roads under MQI (maintenance quality index, i.e. the index for the technical condition of highways, which is divided into five grades: excellent, good, average, fair and poor) reached 100%, with a road performance index exceeding 93.

### *Routine Maintenance*

The Company sweeps and cleans the surface of expressways every day and focuses on clearing rubbish from central reservations between all lanes before holidays. When occupying the road to carry out construction and maintenance operation, the routine maintenance unit and construction unit are required to place traffic signs in accordance with the “Procedures for Highway Maintenance Safety Operation” (《公路養護安全作業規程》). The Company strictly follows the construction organisation plan as approved by the traffic police department and the road administration department to arrange construction operation. The Company or toll stations are responsible for conducting safety inspections.



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To ensure a more pleasant road environment, the Company invested in additional manpower and machines this year. For instance, the Company previously mainly used mechanical cleaning, supplemented by manual cleaning by the maintenance unit. This year, the Company adjusted to a rotation of the two methods. The cleaning frequency was increased from previously once a week to twice a week. Moreover, the Company previously did not arrange the maintenance unit to clean the toll areas. This year, each toll station was assigned one cleaning staff from the maintenance unit, who shall be responsible for monitoring environmental hygiene while on duty for at least eight hours every day.

### *Preventive Maintenance and Reparative Maintenance*

To ensure road safety and driving comfortability, the Company conducted preventive and reparative maintenance works to safety hazards such as micro-surfacing (including sand layers), longitudinal joints and bridgehead bumps in accordance with the Evaluation Standards for Technical Condition of Highway 《公路技術狀況評定標準》).

At the same time, the Company strengthened the management of road maintenance supervision. Pursuant to the requirements of the “Major and Intermediate Expressway Repair and Special Construction Management Practices of Qilu Expressway Company Limited 《齊魯高速公路股份有限公司高速公路大中修及專項工程管理辦法》 and in the manner of combining the routine supervision by the supervision unit and the regular and irregular inspections by owners, the Company carried out evaluations on contractors of major and intermediate repair projects in terms of, among others, construction quality, safety management, scheduled progress and measurement payment.

In strict compliance with the requirements of the Procedures for Highway Maintenance Safety Operation 《公路養護安全作業規程》 (JTG H30-2015), the Safety Technical Specifications for Highway Engineering Construction 《公路工程施工安全技術規範》 (JTG F90-2015) and Implementation Rules for Highway Safety Engineering in Shandong Province 《山東省公路安全保障工程實施細則》), before the commencement of construction works, construction entities are required to formulate construction organisation plans and traffic organisation plans, and prepare sufficient manpower, machinery and equipment and materials. During construction, construction entities are required to ensure the construction and traffic safety, and on the principle of ensuring smooth, continuous, efficient and safe construction, to achieve “advance notice, key diversion, step-by-step security and on-site response”. They shall arrange a dedicated team of safety management assistants on-site and strengthen the communication and coordination with the expressway traffic police and road administration departments to ensure the safety of onsite construction workers.

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### §7.2 Customer Feedback

The Company has set up a 24-hour complaint hotline at 96659. The hotline is located at the operation control and command hall of the safety operation department, to provide customers with a channel and solution of complaints. The command hall also oversees the Company's toll collection affairs at all toll stations, emergency coordination and rescue, safety management and other matters.

It is a strict requirement of the Company that compliant receivers must adopt a serious and sincere attitude to receive (or accept) complaints from vehicle owners face-to-face, by letter, telephone, fax, e-mail or any other means, and must not shirk responsibilities or rudely decline the complaints for any reason. They must make detailed registrations, investigations, verifications and recording. The safety operation department then classifies the complaints by departments and toll stations in a timely manner for report and further handling. Complaint handlers should revert the progress of complaint to the complainant within the prescribed time (general complaints should be responded in a timely manner, while material complaints shall be responded within 3 working days in principle) and should keep a record of handling results for filing. In 2020, 140 complaints were received.

In 2020, the Company optimised the complaint handling process, so as to enhance the quality of complaint service and better serve the society. The Company added the OA process to the procedures for complaint handling, requiring that complaint handling process shall be initiated through OA immediately upon receiving a complaint, that the responsible execution department and personnel shall be designated directly through OA upon receiving the instruction from the leader on duty and the designated personnel shall verify the complaint, and that the personnel on duty shall accept the complaint first hand and follow up until case closed. Explanation and comforting should be made properly for complaints caused by objective reasons. For complaints caused by subjective reasons, the complained department should offer its sincere apology to the complainant and take effective measures at best possible to reverse the adverse impact and obtain understanding.

In 2020, the Company conducted two surveys in the form of questionnaire to study customer satisfaction. In the satisfaction survey conducted in August, paper questionnaires were distributed at toll stations to study about the accessibility of expressways, the service consciousness and the smoothness of traffic flows. A total of 350 valid questionnaires were received at the toll stations and the satisfaction rate reached 98% above. In November, the Company conducted another survey to study the customer satisfaction level of truck drivers passing green channels. The survey was conducted by way of scanning QR code by vehicle owners on green channels, which was a way more convenient for survey. A total of 422 valid questionnaires were received and the satisfaction rate reached 100%.



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### §7.3 Advertisement and Trademark Management

The Company strictly complies with the Advertisement Law of the People's Republic of China 《中華人民共和國廣告法》, the Contract Law of the People's Republic of China 《中華人民共和國合同法》 and the Highway Law of the People's Republic of China 《中華人民共和國公路法》 and the relevant laws and regulations. The Company has entered into Trademark Licensing Agreement 《商標使用許可協議》 with the Group Company to legally use the trademarks of the Group Company registered in Hong Kong as stipulated in the agreement.

Shandong Shunguang Culture Media Company Limited (山東舜廣文化傳媒有限公司) ("Shunguang Media"), a subordinate company of the Company, has formulated management systems such as the "Rules and Regulations of Shandong Shunguang Culture Media Company Limited" 《山東舜廣文化傳媒有限公司規章制度》 and the "Advertisement Management System of Shandong Shunguang Culture Media Company Limited" 《山東舜廣文化傳媒有限公司廣告管理制度》. A majority of advertising media business of Shunguang Media were contracted to an advertising company, which was responsible for communicating with customers directly.

In order to promote the sustainable development of the Company's advertisement business, and in response to the relevant policy calling for the cancellation of "single-column billboards" (單立柱廣告牌) in Shandong Province, the Company set up the second LED display screen at the Dongping toll station following the one set up at the Pingyin toll station. By setting up LED display screens, the Company not only can ensure a high image definition and achieve environmental protection, but it can also play public service advertisements during major festival holidays.

The Company plans to further set up LED advertising equipment in the future and reduce investment in traditional billboards. The Company will cooperate with road management authorities in the use of LED advertising equipment for the release of traffic information and the publicity of new expressway regulations.

In the whole of 2020, there were no non-compliances with relevant laws and regulations that have a significant impact on the Company relating to advertisements and trademarks, etc.

## §8 MAINTAINING INTEGRITY, ABIDING LAWS AND OPERATING LAWFULLY

Honest business is important to safeguarding long-term and sound development of an enterprise. Therefore, the Company is committed to creating an honest corporate environment for production and operation by improving the awareness on honest business of staff from management level to entry level.

The Company has been in strict compliance with the Supervision Law 《監察法》, the Rules for the Supervision and Disciplinary Enforcement Work by Disciplinary Inspection Organs 《紀律檢查機關監督執紀工作規則》, the Public Employee Sanctions Law 《政務處分法》 and other laws and regulations. In addition, to achieve better disciplinary enforcement results, in March 2020, the Company established a coordination group for a clean party building and anti-corruption. In May, the Company issued the "Work Plan for the Supervision of System Implementation" 《制度執行監督工作方案》 and organised all departments and offices to focus on checking and understanding the implementation of the existing systems. In December, the Company issued the "Honest Party Committee Dialogue System" 《黨委廉政談話制度》, for the purposes of opening dialogues between the Company's party committee leaders and responsible persons at branch management departments and offices. The open dialogues between the secretary to the disciplinary committee and the leaders of the four entry-level units and the Company's five middle-level officers brought effective implementation of supervision work.

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In December, the Company issued the “Proposed Disciplinary Inspection System” (《紀律檢查建議制度》) and the “Implementation Plan for Thorough Execution of CPC’s Eight-Point Frugality Code by Party Committee” (《黨委貫徹落實中央八項規定精神實施方案》) and conducted a questionnaire survey about clean party building, in order to identify and sort out any issue regarding conduct improvement. During major festival holidays, the Company strengthens the inspection on vehicle, hospitality, duty and canteen management, supervises the implementation of responsibility for clean party building by party branches’, conducts onsite supervision and inspection to curb food waste, and carries out special management for certain construction projects. If any problem is found, the Company provides instructive suggestions. The Company requires employees to sign an undertaking of integrity, updates their integrity files, and strengthens the supervision of management personnel of the party committee. Furthermore, the Company has set up whistleblowing hotline and e-mail and provided the company address and postcode and other communication channels to receive correspondences and reports from employees according to the law. The Company also implements stringent access control, enhances staff education, supervision and management, and seriously enforces evasion, confidentiality and other systems and procedures, in order to safeguard the legitimate rights and interests of whistleblowers.

In September 2020, the Company activated a task of supervising the establishment and implementation of integrity risk prevention and control system. In November, the Company further improved the integrity risk prevention and control system by organising all units to sort out job authorities, identify integrity risks and other issues.

The Company delivered party lectures on anti-corruption, opened honest dialogues and organised motto collection campaigns where outstanding mottos were recognised and published after selection. In November, the Company gave classes for learning the party disciplinary regulations and case study education. All employees and some of our directors took active participation in the classes. In December, with a collection of audio and visual materials regarding integrity education such as the “Case Studies on Public Employees’ Breach of Discipline and Laws” (《公職人員違紀違法案例警示錄》), the “Case Studies on Party Members’, Leaders’ and Cadres’ Breach of Discipline and Laws” (《黨員領導幹部違紀違法案例警示錄》), the “Analysis of Complex Cases Regarding Public Employees’ Breach of Discipline and Laws” (《公職人員違紀違法疑難案例辨析》) and the “Anti-Corruption Microfilm” (《廉政微電影》), the Company’s leaders and party branches delivered training about the Supervision Law (《監察法》) and the Public Employee Sanctions Law (《政務處分法》), organised case study education, provided training programmes on the Group Company’s “Rules for Supervision of Disciplinary and Law Enforcement Work” (《監督執紀執法工作規則》), and arranged learning tests for middle-level management on party disciplinary regulations and knowledge of ethics and integrity, and learning tests for disciplinary inspection officers on general knowledge. By organising these case study education and special training programmes, the Company was able to further improve employees’ consciousness on integrity and self-discipline. The Company could also communicate the latest trend, new requirements and new missions of anti-corruption exercise and create a clean and upright working sentiment in a timely manner through these activities and learnings.

In the future, the Company will continue to deepen the core and special supervision works and urge the concerned departments and offices at its headquarters to implement supervisory responsibility, so as to advance the implementation of responsibilities. In addition, the Company will enhance honest dialogues and educational training, in order to improve employees’ concept about honesty business practices. The Company will adjust its systems and work flows according to its actual development, optimise its integrity risk prevention and control system and implement proper inspection work, in order to provide strong disciplinary assurance for the development of the Company.

In 2020, there were no non-compliances that have a significant impact on the Company relating to anti-corruption.

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### §9 DEPLOYING RESOURCES FOR COLLABORATIVE DEVELOPMENT

The Company has different types of suppliers including engineering construction; equipment, goods and materials; and service consultation.

In the cooperation with suppliers, the Company strictly complies with the relevant provisions of the Tendering and Bidding Law of the People's Republic of China 《中華人民共和國招標投標法》, the Implementing Rules for the Tendering and Bidding Law of the People's Republic of China 《中華人民共和國招標投標法實施條例》 and the Company's "Tendering and Bidding Management Practices" 《招標投標管理辦法》. For procurement projects falling within relevant scope and meeting relevant criteria, suppliers were determined through open tendering, negotiation and consultation based on the principles of openness, fairness, impartiality and good faith.

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

- About salaries of migrant workers: Contractors are required to separate labour cost from project price, open a special account for salaries of migrant workers (labour cost) with a bank the place where the project is located in, file with the human resources and social security department and competent traffic and transportation department and entrust the account-opening bank for daily supervision, to ensure these funds are used for its specified purpose only.
- About construction safety and security: Contractors are required to strictly execute the laws, regulations and rules on construction safety management of the State and local government, as well as the rules and regulations on safety production management, safety inspection procedures and construction safety management requirements developed by the Company for the project, and instructions given by the supervisor on safety work. Contractors are required to develop technical measures for construction safety, including construction safety protection system, safety production responsibility system, rules and regulations on safety production management and plan for safe and protected construction work. Such measures shall be implemented under the supervision of designated safety production manager after they have been signed by chief project engineer of contractors and submitted to and approved by the supervisor and the Company.
- Environmental protection: Contractors are required to strictly comply with national environmental laws and regulations and relevant industry standards, which set clear provisions on construction noise reduction, dusting control, prevention of water pollution and other aspects.

The Company has established a supplier performance evaluation mechanism under which, the Company conducts evaluation and inspection on the performance of suppliers. Evaluation on performance of suppliers starts from the date of signing the contract for the tendering project and ends at completion of contract performance (including warranty period). Meanwhile, the Company has formed tendering and procurement monitoring group, which is responsible for jointly monitoring and guiding the tendering and bidding works with relevant departments. The monitoring group has an office, responsible for the daily operation of the monitoring group. The office is at audit and legal department, with primary responsibilities of overseeing the implementation of national, provincial and industry laws, regulations and policies and the Company's rules on tendering and procurement by the Company.

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### §10 CORPORATE RESPONSIBILITY AND SOCIAL SERVICES

The Company has always been committed to corporate responsibility and supported public welfare activities in order to give back and reward the society with actions. In 2020, with the foci on taking care of students, assisting poverty alleviation and traffic safety, the Company organised student financial assistance schemes such as “Student Financial Assistance in Golden Autumn” (金秋助學·情暖學子), “Follow Your Heart and Uphold Your Mission by Supporting Poverty Alleviation and Education” (不忘初心牢記使命扶貧教育暖人心) this year to provide grants and loans to students. The Company launched the charitable event of “Blood Donation in Lei Fang Memorial Month” (雷鋒月無償獻血), and organised volunteer services to help and greet the poor with the theme of “One-on-One Poverty Alleviation” (結對幫扶助力脫貧) and volunteer services namely “Take the Lead in Traffic Civilisation” (文明交通從我做起) and “Motivation for the Heart” (心動力). In 2020, the Company engaged in social activities for a total of approximately 210 hours.

#### Support for Education

Education is the foundation for the future. “Support for Education” (公益助學) activity is a public welfare project launched in 2007 when the Jihe Expressway was completed and commenced service, with the objectives of helping impoverished students to realise their ambitions, and allowing the Expressway Business to influence and help more people by such ways as providing primary schools with school supplies, books and other resources, assisting in the construction of “Expressway Space Station to Support Education” (高速公益助學空間站) and improving teaching environment in schools.

To further perform social responsibility, the Company constantly extends its love and makes contributions to the society, enhances all party members’ awareness of partisanship, and give play to the fighting stronghold role of party branches. In September 2020, the party branch of Pingyin South toll station started to better understand the education landscape in its proximity and selected a school with unfavourable teaching conditions – Xiaozhi Town Dongshikoushan Kindergarten (孝直鎮東濕口山幼兒園), to provide education support. As the kindergarten was in need of help in many areas, having regard to the actual situation of the kindergarten and after taking into full consideration of the suggestions of its leader and teachers, the party branch of Pingyin South toll station decided to subsidise the purchase of 50 basketballs to facilitate the kindergarten to organise the related teaching activities, which enabled the children living in mountainous areas to learn from play, improve physical fitness and develop intelligence, thereby giving them support for growth. In September, Pingyin South toll station organised a charitable themed party day activity named “Support to Win the Poverty Alleviation and Education Battle” (扶貧扶智助力攻堅). In this activity, down jackets were donated to 15 poor students of Pingyin Experimental School (平陰實驗學校) of record. With the primary objective of giving supporting to the poor and relieving their burdens, we extended our heartfelt care and hope to the students, wishing them to grow as healthy as other students.



## Environmental, Social and Governance Report



In October 2020, the party branch of the maintenance and emergency response centre launched a themed party day activity named “Follow Your Heart and Uphold your Mission by Supporting Poverty Alleviation and Education” (不忘初心牢记使命扶贫教育暖人心) at Dongping No. 3 Experimental Primary School (东平第三实验小学). The objectives of the activity were to distribute school bags, school supplies and other resources to poverty-stricken students and to hold a seminar with them. The students expressed that they would bear in mind the expectations and hopes of their parents and teachers. They would pay back the society and hometown with their best performance by working hard!



## Environmental, Social and Governance Report

### Volunteer services

In April 2020, Pingyin toll station launched the charitable event of “Blood Donation in Lei Fang Memorial Month” (雷鋒月無償獻血). Packs of donated blood represented a strong stream of love conveying the warmth of positive energy, fully reflecting the good image of the party members and staff members of Pingyin toll station for their selfless volunteer spirit and courageous commitment to social responsibility. Donating blood and sharing love are social responsibilities and obligations of all healthy citizens of the right age. They are also effective carriers of the party branch of Pingyin toll station to perform social responsibility, guide the party members to meet the “Four Qualifications” (四個合格) and promote “Two Studies and One Action” (兩學一做) education campaign. In such an extraordinary period, the blood donation activity effectively relieved the tight clinical supply of blood and made positive contribution to safeguarding people’s lives and health.



In November 2020, the party members of Shen County South toll station and a group of youth volunteers arrived Houdian Village (後店村), a government location, to participate in the greeting activity named “One-on-One Poverty Alleviation” (結對幫扶助力脫貧). Having learnt about the actual income of the local underprivileged families and the causes of poverty prior to the visit, the party members of Shen County South toll station and the youth volunteers distributed rice, noodles, milk and other greeting gifts to them.





## Environmental, Social and Governance Report

Shandong Gangtong Construction Co., Ltd. despatched cadres and staff members to provide the community with volunteering anti-pandemic services and patriotic hygienic clean-up services. The company also launched the “Take the Lead in Traffic Civilisation” (文明交通從我做起) and the “Motivation for the Heart” (心動力) volunteers service activities. In Dingkou Village, Meigui Town of Pingyin County (平陰縣玫瑰鎮丁口村), the company gave support to establish an “Outstanding Supermarket” (出彩超市) and organised a benevolent activity of poverty alleviation donation. All these activities were embodiments of social responsibility in poverty alleviation with actions.





# Environmental, Social and Governance Report

## §11 APPENDIX

### §11.1 Index to the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

|                                      | The Environmental, Social and Governance Reporting Guide  | Reporting content  |
|--------------------------------------|---|--|
| <b>Subject Area A. Environmental</b> |   |  |
| <b>Aspect A1: Emissions</b>          |   |  |
| A1                                   | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 3.1 Emission management  |
| A1.1                                 | The types of emissions and respective emissions data.   | 3.1 Emission management  |
| A1.2                                 | Total greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | 3.1 Emission management  |
| A1.3                                 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | 3.1 Emission management  |
| A1.4                                 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | 3.1 Emission management  |
| A1.5                                 | Description of measures to mitigate emissions and results achieved  | 3.1 Emission management  |
| A1.6                                 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.  | 3.1 Emission management  |
| <b>Aspect A2: Use of Resources</b>   |   |  |
| A2                                   | General Disclosure<br>Policies on the efficient use of resources, including energy, water and other raw materials.  | 3.2 Resource use management  |
| A2.1                                 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).  | 3.2.1 Energy management  |
| A2.2                                 | Water consumption in total and intensity (e.g. per unit of production volume, per facility).  | 3.2.2 Water use management   |
| A2.3                                 | Description of energy use efficiency initiatives and results achieved.  | 3.2.1 Energy management<br>3.2.3 Energy saving measures and plans    |
| A2.4                                 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.   | 3.2.2 Water use management<br>3.2.3 Energy saving measures and plans |
| A2.5                                 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.  | Not applicable   |

## Environmental, Social and Governance Report

| <b>Aspect A3: The Environment and Natural Resources</b> |   |                                   |
|---|---|-----------------------------------|
| A3  | General Disclosure  |                                   |
|   | Policies on minimising the issuer's significant impact on the environment and natural resources.  | Not applicable                    |
| A3.1  | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | Not applicable                    |
| <b>Subject Area B. Social</b>                           |   |                                   |
| <b>Employment and Labour Practices</b>                  |   |                                   |
| <b>Aspect B1: Employment</b>                            |   |                                   |
| B1  | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 4.1 Employment and staff benefits |
| B1.1  | Total workforce by gender, employment type, age group and geographical region.  | 4.1 Employment and staff benefits |
| <b>Aspect B2: Health and Safety</b>                     |   |                                   |
| B2  | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.   | 4.2 Healthy and safety            |
| B2.1  | Number and rate of work-related fatalities.   | 4.2 Healthy and safety            |
| B2.2  | Lost days due to work injury.   | 4.2 Healthy and safety            |
| <b>Aspect B3: Development and Training</b>              |   |                                   |
| B3  | General Disclosure<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | 4.3 Development and training      |
| B3.1  | The percentage of employees trained by gender and employee category (e.g. senior management, middle management).  | 4.3 Development and training      |
| B3.2  | The average training hours completed per employee by gender and employee category.  | 4.3 Development and training      |
| <b>Aspect B4: Labour Standards</b>                      |   |                                   |
| B4  | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.  | 4.1.1 Recruitment process         |

## Environmental, Social and Governance Report

| <b>Operating Practices</b>                |   |                             |
|---|---|-----------------------------|
| <b>Aspect B5: Supply Chain Management</b> |   |                             |
| B5  | General Disclosure<br>Policies on managing environmental and social risks of the supply chain.  | 4.4 Supply chain management |
| B5.2                                      | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.   | 4.4 Supply chain management |
| <b>Aspect B6: Product Responsibility</b>  |   |                             |
| B6  | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 4.5 Product Responsibility  |
| B6.1                                      | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | 4.5 Product Responsibility  |
| B6.2                                      | Number of products and service related complaints received and how they are dealt with.   | 4.5 Product Responsibility  |
| B6.5                                      | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | 4.5 Product Responsibility  |
| <b>Aspect B7: Anti-corruption</b>         |   |                             |
| B7  | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.  | 4.6 Anti-corruption         |
| B7.1                                      | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.  | 4.6 Anti-corruption         |
| <b>Community</b>                          |   |                             |
| <b>Aspect B8: Community Investment</b>    |   |                             |
| B8  | General Disclosure<br>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.  | 4.7 Community investment    |
| B8.1                                      | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).   | 4.7 Community investment    |
| B8.2                                      | Resources contributed (e.g. money or time) to the focus area.   | 4.7 Community investment    |

# Independent Auditor's Report



## To the shareholders of Qilu Expressway Company Limited

*(Incorporated in the People's Republic of China with limited liability)*

### OPINION

We have audited the consolidated financial statements of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 143 to 234 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS (CONTINUED)

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Provision for maintenance and resurfacing obligations</b></p> <p>The Group has contractual obligations to maintain and restore the infrastructure under the service concession arrangements to maintain the toll road infrastructure to a specified performance of serviceability.</p> <p>The Group's provision for maintenance and resurfacing obligations amounted to approximately RMB176,751 thousand as at 31 December 2020, with maintenance and resurfacing costs of approximately RMB98,357 thousand charged to the profit or loss for the year then ended.</p> <p>In determining such provision, management has estimated the relevant maintenance and resurfacing costs based on the physical condition of the toll road infrastructure as at the reporting period end, with reference to the evaluation performed by external technicians.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 27 to the financial statements.</p> | <p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> <li>• We assessed the competency, capability and objectivity of the external technicians;</li> <li>• We obtained the evaluation reports and understood the methodologies adopted by the external technicians and compared with methodologies adopted by other technicians for similar activities in the industry;</li> <li>• We compared the nature of the proposed maintenance activities as set out in the evaluation reports, on a sample basis, with the relevant technical specifications of toll road maintenance issued by the regulator, and assessed the reasonableness of the estimated maintenance and resurfacing costs by comparing with the historical data of comparable maintenance activities; and</li> <li>• We checked the calculation of provisions for maintenance and resurfacing obligations to ensure mathematical accuracy.</li> </ul> |

## Independent Auditor's Report (Continued)

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## Independent Auditor's Report (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

#### **Ernst & Young**

*Certified Public Accountants*

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

26 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

|   | Notes | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) |
|---|-------|------------------|-------------------------------|
| REVENUE   | 5     | <b>1,689,536</b> | 1,632,243                     |
| Cost of sales   |       | <b>(706,403)</b> | (680,393)                     |
| Gross profit  |       | <b>983,133</b>   | 951,850                       |
| Other income and gains  | 5     | <b>48,753</b>    | 48,171                        |
| Administrative expenses   |       | <b>(74,521)</b>  | (67,420)                      |
| Impairment losses on contract assets  |       | <b>(92)</b>      | –                             |
| Other expenses  |       | <b>(15,647)</b>  | (29,636)                      |
| Finance costs   | 7     | <b>(114,844)</b> | (107,715)                     |
| Share of profits and losses of an associate                                 |       | <b>499</b>       | –                             |
| PROFIT BEFORE TAX   | 6     | <b>827,281</b>   | 795,250                       |
| Income tax expense  | 10    | <b>(206,505)</b> | (199,522)                     |
| PROFIT FOR THE YEAR   |       | <b>620,776</b>   | 595,728                       |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR                          |       | <b>620,776</b>   | 595,728                       |
| Attributable to:  |       |                  |                               |
| Owners of the parent  |       | <b>620,776</b>   | 595,728                       |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY<br>HOLDERS OF THE PARENT |       |                  |                               |
| Basic   |       |                  |                               |
| – For profit for the year   | 12    | <b>RMB0.31</b>   | RMB0.30                       |
| Diluted   |       |                  |                               |
| – For profit for the year   | 12    | <b>RMB0.31</b>   | RMB0.30                       |

# Consolidated Statement of Financial Position

31 December 2020

|   | Notes | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|---|-------|-----------------|-------------------------------|
| <b>NON-CURRENT ASSETS</b>                             |       |                 |                               |
| Property, plant and equipment                         | 13    | 333,701         | 375,899                       |
| Investment properties                                 | 14    | 20,559          | 21,445                        |
| Right-of-use assets                                   | 15(a) | 78,173          | –                             |
| Intangible assets                                     | 16    | 5,621,348       | 5,955,880                     |
| Investment in an associate                            | 17    | 20,974          | –                             |
| Deferred tax assets                                   | 28    | 541             | –                             |
| Prepayments and other receivables                     | 20    | 26              | 26                            |
| Total non-current assets                              |       | 6,075,322       | 6,353,250                     |
| <b>CURRENT ASSETS</b>                                 |       |                 |                               |
| Inventories   | 18    | 3,876           | 2,429                         |
| Trade and bills receivables                           | 19    | 83,097          | 25,390                        |
| Contract assets                                       | 21    | 3,266           | –                             |
| Other current assets                                  |       | 63              | 99                            |
| Prepayments and other receivables                     | 20    | 2,888           | 12,328                        |
| Financial assets at fair value through profit or loss | 22    | 464,804         | 200,000                       |
| Cash and cash equivalents                             | 23    | 74,731          | 1,397,177                     |
| Total current assets                                  |       | 632,725         | 1,637,423                     |
| <b>CURRENT LIABILITIES</b>                            |       |                 |                               |
| Trade payables  | 24    | 84,911          | 148,365                       |
| Other payables and accruals                           | 25    | 97,023          | 672,581                       |
| Interest-bearing bank and other borrowings            | 26    | 534,355         | 328,048                       |
| Lease liabilities                                     | 15(b) | 2,928           | –                             |
| Tax payable   |       | 79,761          | 61,199                        |
| Provision   | 27    | 177,468         | 148,420                       |
| Total current liabilities                             |       | 976,446         | 1,358,613                     |

## Consolidated Statement of Financial Position (Continued)

31 December 2020

|  | Notes | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|--|-------|-------------------------------|--------------------------------------|
| NET CURRENT (LIABILITIES)/ASSETS                   |       | <b>(343,721)</b>              | 278,810                              |
| TOTAL ASSETS LESS CURRENT LIABILITIES              |       | <b>5,731,601</b>              | 6,632,060                            |
| <b>NON-CURRENT LIABILITIES</b>                     |       |                               |                                      |
| Interest-bearing bank and other borrowings         | 26    | <b>2,722,712</b>              | 1,643,326                            |
| Lease liabilities                                  | 15(b) | <b>75,911</b>                 | –                                    |
| Other payables                                     | 25    | <b>24,139</b>                 | 25,643                               |
| Deferred tax liabilities                           | 28    | <b>10,019</b>                 | 13,646                               |
| Total non-current liabilities                      |       | <b>2,832,781</b>              | 1,682,615                            |
| <b>Net assets</b>                                  |       | <b>2,898,820</b>              | 4,949,445                            |
| <b>EQUITY</b>                                      |       |                               |                                      |
| <b>Equity attributable to owners of the parent</b> |       |                               |                                      |
| Share capital                                      | 29    | <b>2,000,000</b>              | 2,000,000                            |
| Capital reserves                                   | 30    | <b>–</b>                      | 2,148,076                            |
| Other reserves                                     | 30    | <b>61,619</b>                 | 182,525                              |
| Retained earnings                                  |       | <b>837,201</b>                | 618,844                              |
| <b>Total equity</b>                                |       | <b>2,898,820</b>              | 4,949,445                            |

\_\_\_\_\_  
**Li Gang**  
*Director*

\_\_\_\_\_  
**Peng Hui**  
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

|   | Notes | Attributable to owners of the parent |                    |                  |                   | Total              |
|---|-------|--------------------------------------|--------------------|------------------|-------------------|--------------------|
|   |       | Share capital                        | Capital reserves   | Other reserves   | Retained earnings |                    |
|   |       | RMB' 000                             | RMB' 000           | RMB' 000         | RMB' 000          | RMB' 000           |
| At 1 January 2019   |       |                                      |                    |                  |                   |                    |
| As previously reported  |       | 2,000,000                            | 886,725            | 130,802          | 514,163           | 3,531,690          |
| Effect of business combinations under common control                | 2.1   | –                                    | 1,234,429          | –                | (181,924)         | 1,052,505          |
| As restated   |       | 2,000,000                            | 2,121,154          | 130,802          | 332,239           | 4,584,195          |
| Profit for the year (restated)                                      |       | –                                    | –                  | –                | 595,728           | 595,728            |
| Total comprehensive income for the year (restated)                  |       | –                                    | –                  | –                | 595,728           | 595,728            |
| Contribution from a shareholder                                     |       | –                                    | 26,438             | –                | –                 | 26,438             |
| Reversal of share issue expenses                                    |       | –                                    | 484                | –                | –                 | 484                |
| Final 2018 dividend declared  | 11    | –                                    | –                  | –                | (257,400)         | (257,400)          |
| Transfer from retained earnings                                     |       | –                                    | –                  | 51,723           | (51,723)          | –                  |
| At 31 December 2019 and 1 January 2020 (restated)                   |       | 2,000,000                            | 2,148,076          | 182,525          | 618,844           | 4,949,445          |
| Profit for the year   |       | –                                    | –                  | –                | <b>620,776</b>    | <b>620,776</b>     |
| Total comprehensive income for the year                             |       | –                                    | –                  | –                | <b>620,776</b>    | <b>620,776</b>     |
| Deemed distributions for business combinations under common control | 2.1   | –                                    | <b>(2,148,076)</b> | <b>(182,525)</b> | <b>(14,800)</b>   | <b>(2,345,401)</b> |
| Final 2019 dividend declared  | 11    | –                                    | –                  | –                | <b>(326,000)</b>  | <b>(326,000)</b>   |
| Transfer from retained earnings                                     |       | –                                    | –                  | <b>61,619</b>    | <b>(61,619)</b>   | –                  |
| At 31 December 2020   |       | <b>2,000,000</b>                     | –                  | <b>61,619</b>    | <b>837,201</b>    | <b>2,898,820</b>   |



# Consolidated Statement of Cash Flows

Year ended 31 December 2020

|   | Notes | <b>2020</b><br><b>RMB'000</b> | 2019<br>RMB'000<br>(Restated) |
|---|-------|-------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |       |                               |                               |
| Profit before tax   |       | <b>827,281</b>                | 795,250                       |
| Adjustments for:  |       |                               |                               |
| Finance costs   | 7     | <b>114,844</b>                | 107,715                       |
| Share of profits and losses of an associate   |       | <b>(499)</b>                  | –                             |
| Interest income from financial assets at fair value through profit or loss              | 5,6   | <b>(5,107)</b>                | (3,880)                       |
| Fair value gains from financial assets at fair value through profit or loss             | 5,6   | <b>(2,568)</b>                | (769)                         |
| Interest income from financial assets measured at amortised cost                        | 5,6   | –                             | (1,688)                       |
| Bank interest income  | 5,6   | <b>(16,083)</b>               | (19,221)                      |
| (Gain)/loss on disposal of items of property, plant and equipment and intangible assets | 6     | <b>(295)</b>                  | 28,290                        |
| Covid-19-related rent concessions from lessors  | 15    | <b>(153)</b>                  | –                             |
| Depreciation of property, plant and equipment   | 6,13  | <b>69,535</b>                 | 52,877                        |
| Depreciation of investment properties   | 6,14  | <b>886</b>                    | 652                           |
| Depreciation of right-of-use assets   | 6,15  | <b>2,304</b>                  | –                             |
| Amortisation of intangible assets   | 6,16  | <b>327,131</b>                | 323,014                       |
| Impairment of property, plant and equipment   | 6,13  | <b>13,520</b>                 | 1,084                         |
| Impairment of trade receivables   | 6,19  | <b>2,074</b>                  | –                             |
| Impairment of contract assets   | 6,21  | <b>92</b>                     | –                             |
| Impairment of prepayments and other receivables   | 6,20  | <b>39</b>                     | 45                            |
| Foreign exchange differences, net   | 5,6   | <b>(2,516)</b>                | (1,611)                       |
|   |       | <b>1,330,485</b>              | 1,281,758                     |
| Increase in inventories   |       | <b>(1,447)</b>                | (1,003)                       |
| (Increase)/decrease in trade and bills receivables                                      |       | <b>(59,781)</b>               | 179,164                       |
| Increase in contract assets   |       | <b>(3,358)</b>                | –                             |
| Increase in contract liabilities  |       | <b>785</b>                    | –                             |
| (Increase)/decrease in prepayments and other receivables                                |       | <b>1,462</b>                  | (4,042)                       |
| Increase/(decrease) in trade payables   |       | <b>1,486</b>                  | (11,898)                      |
| Increase in other payables and accruals   |       | <b>14,777</b>                 | 31,358                        |
| Increase in provisions  |       | <b>29,048</b>                 | 34,930                        |
| Cash generated from operations  |       | <b>1,313,457</b>              | 1,510,267                     |
| Interest received   |       | <b>16,761</b>                 | 20,085                        |
| Income tax paid   |       | <b>(192,075)</b>              | (160,119)                     |
| Net cash flows from operating activities  |       | <b>1,138,143</b>              | 1,370,233                     |

## Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2020

|  | Notes | 2020<br>RMB'000    | 2019<br>RMB'000<br>(Restated) |
|--|-------|--------------------|-------------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |                    |                               |
| Purchases of items of property, plant and equipment and intangible assets                    |       | (104,737)          | (285,602)                     |
| Proceeds from disposal of items of property, plant and equipment and intangible assets       |       | 395                | 445                           |
| Acquisition of a subsidiary and a business   |       | (2,371,067)        | –                             |
| Purchases of financial assets at fair value through profit or loss                           |       | (991,160)          | (500,000)                     |
| Proceeds from maturity and disposal of financial assets at fair value through profit or loss |       | 728,924            | 400,000                       |
| Proceeds from maturity of financial assets at amortised cost                                 |       | –                  | 200,000                       |
| Interest received from financial assets at fair value through profit or loss                 |       | 5,876              | 4,025                         |
| Interest received from financial assets at amortised cost                                    |       | –                  | 1,948                         |
| Payments for other investing activities  |       | (2,760)            | (2,760)                       |
| Net cash flows used in investing activities  |       | (2,734,529)        | (181,944)                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |       |                    |                               |
| Additions of interest-bearing bank borrowings  |       | 1,348,000          | –                             |
| Repayment of interest-bearing bank and other borrowings                                      |       | (416,144)          | (378,048)                     |
| Repayment of loans from the parent company   |       | (220,611)          | (26,953)                      |
| Principle portion of lease payments  |       | (1,485)            | –                             |
| Interest portion of lease payments   |       | (1,360)            | –                             |
| Interest paid  |       | (110,976)          | (106,557)                     |
| Dividends paid   | 11    | (326,000)          | (257,400)                     |
| Listing costs paid   |       | –                  | (31,762)                      |
| Net cash flows from/(used in) financing activities   |       | 271,424            | (800,720)                     |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                                  |       | <b>(1,324,962)</b> | 387,569                       |
| Cash and cash equivalents at beginning of year   |       | 1,397,177          | 1,007,997                     |
| Effect of foreign exchange rate changes, net   |       | 2,516              | 1,611                         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  |       | <b>74,731</b>      | 1,397,177                     |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                     |       |                    |                               |
| Cash and bank balances   | 23    | 71,203             | 1,393,672                     |
| Time deposits  | 23    | 3,528              | 3,505                         |
| Cash and cash equivalents as stated in the consolidated statement of financial position      | 23    | 74,731             | 1,397,177                     |
| Cash and cash equivalents as stated in the consolidated statement of cash flows              |       | 74,731             | 1,397,177                     |

# Notes to Financial Statements

31 December 2020

## 1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the construction, maintenance, operation and management of the Jihe Expressway, Deshang Expressway (Liaocheng – Fan County section) (“Deshang Expressway”) and Shennan Expressway in the PRC and the outdoor advertising production and distribution along the Jihe Expressway in Shandong Province.

Pursuant to a concession agreement (the “Concession Agreement”) entered into between the Company and Shandong Provincial Traffic Transport Department (山東省交通運輸廳) (“Shandong Transport Department”) on 26 September 2004, the Company, which engages in the construction, maintenance, operation and management of the Jihe Expressway in Shandong Province in the PRC, is entitled to toll collection from vehicles passing through the Jihe Expressway for a period of 30 years, from 26 September 2004 to 25 September 2034.

Pursuant to a transfer agreement (the “Transfer Agreement”) entered into between the Company and Qilu Transportation Development Group Company Limited (“Qilu Transportation”) on 2 June 2020, the Company acquired the toll collection rights of Deshang Expressway and Shennan Expressway from Qilu Transportation at a consideration of RMB2,290,000,000. As stated in the the Circular (“the Circular”) dated 26 June 2020, according to the Transfer Agreement, the transactions contemplated thereunder may subject to consideration adjustments including, among other things, that upon issue of the final financial audit report in respect of the settlement of the Shennan Expressway project, in case that the project settlement amount of the project after deducting the costs for construction of service areas exceeds RMB1,101,657,000 (being the estimated project settlement amount adopted in appraised market value under the Valuation Report), Qilu Transportation shall pay the Company the difference, and vice versa. According to the financial audit report in respect of the Shennan Expressway project settlement, it is determined that the project settlement amount of the Shennan Expressway project after deducting the costs for construction of service areas is lower by RMB55,401,000. Therefore, the Company paid additional consideration of RMB55,401,000 for the acquisition. The Company engages in the maintenance, operation and management of the Deshang Expressway and Shennan Expressway in Shandong Province in the PRC, and is entitled to toll collection from vehicles passing through the Deshang Expressway and Shennan Expressway from 1 January 2020 to 15 November 2040 and 27 September 2043 respectively.

## Notes to Financial Statements (Continued)

31 December 2020

### 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

In the opinion of the directors, the ultimate holding company of the Company has changed from Qilu Transportation to Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group") on 16 November 2020 upon completion of the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group. Shandong Hi-Speed Group, which was established in Jinan, Shandong Province, the PRC and is owned by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government.

#### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name   | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Principal activities                                |
|--|---|---|---|---|
| Shandong Shunguang Culture Media Company Limited*<br>(山東舜廣文化傳媒有限公司)<br>("Shunguang Culture Media")     | PRC/Mainland China                                | RMB8,008,000                              | 100   | Outdoor advertising production and distribution     |
| Qilu Expressway (Hong Kong) Company Limited<br>(齊魯高速(香港)有限公司)<br>("Qilu Hong Kong")                    | Hong Kong   | HKD10,000,000                             | 100   | Construction, maintenance, operation of expressways |
| Shandong Gangtong Construction Company Limited*<br>(山東港通建設有限公司)<br>("Shandong Gangtong Construction")  | PRC/Mainland China                                | RMB40,000,000                             | 100   | Construction contracting                            |
| Shandong Ganglong Technology Development Company Limited*<br>(山東港隆科技發展有限公司)<br>("Ganglong Technology") | PRC/Mainland China                                | HKD10,000,000                             | 100   | Sale of materials for construction                  |

\* The English names of the entities represent the best effort made by the directors of the Company in translating the Chinese names as they do not have English names, and are for reference only. These entities are all registered as domestic limited liability companies under PRC law.

During the year, the Group acquired Shandong Gangtong Construction from a third party. Further details of this acquisition are included in note 31 to the financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to nearest thousand (RMB’000) except when otherwise indicated.

#### Going concern basis

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by RMB343,721,000, primarily due to the expenditure incurred on the acquisition of Deshang Expressway and Shennan Expressway. As at 31 December 2020, total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of Deshang Expressway and Shennan Expressway amounted to RMB463,796,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2020, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB1,000,000,000 are available for withdrawal before May 2021 and RMB2,005,000,000 are available for withdrawal before August 2021 for the refinancing of an existing loan by the Group. Having considered the cash flows from operations and its available resource of finance, the directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and it is appropriate to prepare the financial statements on a going concern basis.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### Merger accounting for business combinations under common control

On 2 June 2020, the Company entered into the Transfer Agreement with Qilu Transportation, which was ultimate holding company of the Company before the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation. Pursuant to the Transfer Agreement, the Company acquired the toll collection rights of Deshang Expressway and Shennan Expressway (“the Target Business”) from Qilu Transportation at a total consideration of RMB2,345,401,000. Since the Company and the Target Business were ultimately controlled by Qilu Transportation both before and after the completion of the transaction, the acquisition of the Target Business was accounted for using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2020 and 2019 included the results, changes in equity and cash flows of the Target Business then comprising the Group, as if the business structure of the Group immediately after the completion of the acquisition had been in existence throughout the years ended 31 December 2020 and 2019, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2019 has been prepared to present the state of affairs of the Group and the Target Business as if the business structure of the Group immediately after the completion of the acquisition had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the Target Business attributable to the Company as at 31 December 2019.

#### Restatement of operating results and financial positions of the Group

As a result of the application of merger accounting to include the operating results of the Target Business, the operating results previously reported by the Group for the year ended 31 December 2019 have been restated as below:

|  | <b>The Group</b><br><b>(As previously</b><br><b>reported)</b><br><i>RMB'000</i> | <b>Merger</b><br><b>accounting</b><br><b>The Target</b><br><b>Business</b><br><i>RMB'000</i> | <b>The Group</b><br><b>(Restated)</b><br><i>RMB'000</i> |
|--|---|--|---|
| Revenue  | 1,183,339   | 448,904  | 1,632,243   |
| Profit before tax  | 689,505   | 105,745  | 795,250   |
| Profit for the year and attributable<br>to owners of the Company | 516,421   | 79,307   | 595,728   |

## Notes to Financial Statements (Continued)

31 December 2020

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### Restatement of operating results and financial positions of the Group (continued)

The financial positions previously reported by the Group at 31 December 2019 have been restated as below to include the assets and liabilities of the Target Business using the existing book values:

31 December 2019

|                         | <b>The Group<br/>(As previously<br/>reported)</b><br><i>RMB'000</i> | <b>Merger<br/>accounting</b>                     |   |
|-------------------------|---|--|---|
|                         |   | <b>The Target<br/>Business</b><br><i>RMB'000</i> | <b>The Group<br/>(Restated)</b><br><i>RMB'000</i> |
| Non-current assets      | 2,758,750   | 3,594,500  | 6,353,250   |
| Current assets          | 1,631,255   | 6,168  | 1,637,423   |
| Current liabilities     | 489,521   | 869,092  | 1,358,613   |
| Non-current liabilities | 109,289   | 1,573,326  | 1,682,615   |
| Total equity            | 3,791,195   | 1,158,250  | 4,949,445   |

1 January 2019

|                         | <b>The Group<br/>(As previously<br/>reported)</b><br><i>RMB'000</i> | <b>Merger<br/>accounting</b>                     |   |
|-------------------------|---|--|---|
|                         |   | <b>The Target<br/>Business</b><br><i>RMB'000</i> | <b>The Group<br/>(Restated)</b><br><i>RMB'000</i> |
| Non-current assets      | 2,867,602   | 3,764,597  | 6,632,199   |
| Current assets          | 1,485,664   | 35,243   | 1,520,907   |
| Current liabilities     | 518,617   | 1,020,961  | 1,539,578   |
| Non-current liabilities | 302,959   | 1,726,374  | 2,029,333   |
| Total equity            | 3,531,690   | 1,052,505  | 4,584,195   |

For this business combination under common control, no amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the Target Business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consideration and book value of the Target Business at the time of common control combination is charged to the reserves and retained earnings of the Group.



## Notes to Financial Statements (Continued)

31 December 2020

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

|   |  |
|---|--|
| Amendments to HKFRS 3                         | <i>Definition of a Business</i>                          |
| Amendments to HKFRS 9,<br>HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i>                    |
| Amendment to HKFRS 16                         | <i>Covid-19-Related Rent Concessions</i> (early adopted) |
| Amendments to HKAS 1 and HKAS 8               | <i>Definition of Material</i>                            |

The nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions that occurred after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s property have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB153,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial information and performance of the Group.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

|   |  |
|---|--|
| Amendments to HKFRS 3   | <i>Reference to the Conceptual Framework<sup>2</sup></i>   |
| Amendments to HKFRS 9,<br>HKAS 39, HKFRS 7,<br>HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>  |
| Amendments to HKFRS 10<br>and HKAS 28 (2011)                        | <i>Sale or Contribution of Assets between an Investor and its<br/>Associate or Joint Venture<sup>4</sup></i> |
| HKFRS 17  | <i>Insurance Contracts<sup>3</sup></i>   |
| Amendments to HKFRS 17  | <i>Insurance Contracts<sup>3, 6</sup></i>  |
| Amendments to HKAS 1  | <i>Classification of Liabilities as Current or Non-current<sup>3, 5</sup></i>                                |
| Amendments to HKAS 16   | <i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>                               |
| Amendments to HKAS 37   | <i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>   |
| <i>Annual Improvements to HKFRSs<br/>2018-2020</i>                  | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples<br>accompanying HKFRS 16, and HKAS 41 <sup>2</sup>     |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the National Interbank Offered Rates ("LPR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results of the associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred.



## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment in an associate (continued)

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Business combinations

As explained in note 2.1 above, the acquisition of business under common control has been accounted for using the merger method of accounting. The acquisition method of accounting is used to account for business combinations not under common control.

##### *Business combinations under common control*

Under the merger method of accounting, the net assets of the combining business are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquires' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss and other comprehensive income include the results of the combining business from the earliest date presented or since the date when the controlling business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

##### *Business combinations not under common control*

Under the acquisition method of accounting, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations (continued)

##### *Business combinations not under common control (continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

#### Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer a liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

|         |   |   |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable                              |

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life as follows:

|                            |                |
|----------------------------|----------------|
| Buildings                  | 20 to 40 years |
| Ancillary equipment        | 5 to 20 years  |
| Machinery                  | 3 to 20 years  |
| Motor vehicles             | 4 to 8 years   |
| Office and other equipment | 3 to 10 years  |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line method to write off the cost of each investment property over its estimated useful life of 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 properties to property, plant and equipment at the commencement of owner-occupation.

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### *Service concession arrangements*

Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the Concession Arrangement and the Transfer Agreement. The Group has entered into the Concession Arrangement and the Transfer Agreement with local government authorities (“the Grantor”) and Qilu Transportation respectively for its participation in the construction, maintenance, operation and management of various toll road infrastructure. Under the Concession Arrangement, the Group carries out the construction or upgrade work of the toll road for the Grantor. Pursuant to the Transfer Agreement, the Group is responsible for the operation, maintenance and management of the toll roads. In return, the Group receives in exchange of the right to operate the toll roads concerned and entitlement to the toll collection from users of the toll roads services (the “Service Concessions”). The Group recorded the assets under the Service Concessions, including toll roads and relevant various infrastructure on it, as “concession intangible assets” on the consolidated statement of financial position, to the extent that it received a right to charge users of the public service. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction and upgrade services provided under the Concession Arrangement or the fair value of the consideration paid in exchange for the construction and upgrade services provided by Qilu Transportation, which has been absorbed by Shandong Hi-Speed Group, less accumulated amortisation and any impairment losses.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets (other than goodwill) (continued)

##### *Service concession arrangements (continued)*

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset.

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the period from the official opening of the toll road to traffic to the concession period ending.

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 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 Concessions Arrangements and Transfer Agreement 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.

##### *Software*

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

#### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Leases (continued)

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

|                |                |
|----------------|----------------|
| Leasehold land | 20 to 24 years |
| Buildings      | 2 to 6 years   |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Leases (continued)

##### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases.

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets (continued)

##### *Initial recognition and measurement (continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of financial assets (continued)

##### *General approach (continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

|         |   |  |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs   |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |

##### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings and lease liabilities.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises purchase cost, processing cost and other cost. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

As part of its obligations under the respective service concession arrangements, 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.

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

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



## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition (continued)

##### *Revenue from contracts with customers (continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of road operation services

Revenue from the provision of road operation services is recognised when the vehicles pass the expressway and the Group received the payment or has the right to receive payment.

(b) Provision of construction and upgrade services of expressways

Revenue from construction and upgrade services provided under the Concession Arrangements is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset. The revenue is recognised over time, using an input method to measure progress towards completion satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of construction contracting services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

##### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition (continued)

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### Employee benefits

##### *Defined contribution pension schemes*

Each company of the Group contributes on a monthly basis to defined contribution pension schemes in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions pension schemes are charged to profit or loss as they become payable to the schemes. 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.

As stipulated by the laws and regulations in the PRC, the Group contributes to the state-sponsored retirement scheme for its employee in the PRC (i.e. pension insurance). The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 18% of such relevant income from January to April 2019, and 16% of such relevant income since May 2019, subject to certain ceiling. The Group has been exempted from pension insurance due to the impact of COVID-19 from 1 February to 31 December 2020. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Employee benefits (continued)

##### *Defined contribution pension schemes (continued)*

In addition to the government-sponsored defined contribution pension scheme, the Group operates an additional employee pension scheme. All employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

##### *Housing fund*

According to the relevant rules and regulations of the Shandong Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

#### Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

## Notes to Financial Statements (Continued)

31 December 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### *Provision for maintenance obligations*

The Group has contractual obligations under the Concession Arrangements and the Transfer Agreement to maintain the toll road infrastructure to a specified performance of serviceability during the concession periods and at the end of the concession periods. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

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

## Notes to Financial Statements (Continued)

31 December 2020

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### *Provision for maintenance obligations (continued)*

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

##### *Measuring progress of construction and upgrade services provided*

The Group recognises revenue from construction and upgrade services provided in accordance with HKFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction and upgrade revenue on the basis of the costs incurred to satisfy the performance obligation relative to the total expected costs incurred to the satisfaction of that performance obligation of construction and upgrade service work, which requires estimation to be made by management. The total expected costs and the corresponding contract revenue are estimated by management.

##### *Useful lives of items 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.

##### *Deferred 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 the best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections at the end of the reporting period. If the final assumptions and profit were to be different from management's current estimates, the Group would account for the change prospectively.

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



## Notes to Financial Statements (Continued)

31 December 2020

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### 4. OPERATING SEGMENT INFORMATION

The Group’s revenue and contribution to the consolidated results are mainly derived from the management and operation of expressways, which is regarded as a single reportable segment. Segment performance reported internally to the Group’s directors for the purposes of resource arrangement and performance assessment is consistent with the measurement of the Group’s revenue and results presented in the consolidated statement of profit or loss and other comprehensive income. In addition, all of the Group’s operations are located in Mainland China. Accordingly, no operating segment information is presented, other than the entity-wide disclosures.

#### Entity-wide disclosures

##### *Geographical information*

All of the Group’s external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no geographical information is presented.

##### *Information about major customers*

During the years ended 31 December 2020 and 2019, no revenue derived from a single customer accounted for 10% or more of the Group’s total revenue.

## Notes to Financial Statements (Continued)

31 December 2020

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

|  | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) |
|--|------------------|-------------------------------|
| <i>Revenue from contracts with customers</i> |                  |                               |
| Expressway business                          | 1,541,041        | 1,538,915                     |
| Construction business                        | 142,665          | 88,384                        |
| Other service businesses                     | 1,920            | 858                           |
| <i>Revenue from other sources</i>            |                  |                               |
| Rental income*                               | 3,910            | 4,086                         |
|  | <b>1,689,536</b> | 1,632,243                     |

\* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB3,267,000 and fixed payments of RMB643,000 during the year ended 31 December 2020.

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

|   | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) |
|---|------------------|-------------------------------|
| <b>Types of revenue</b>                     |                  |                               |
| Expressway business                         | 1,541,041        | 1,538,915                     |
| Construction business                       | 142,665          | 88,384                        |
| Other service businesses                    | 1,920            | 858                           |
| Total revenue from contracts with customers | <b>1,685,626</b> | 1,628,157                     |

|   | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) |
|---|------------------|-------------------------------|
| <b>Timing of revenue recognition</b>        |                  |                               |
| At a point in time                          | 1,542,961        | 1,539,773                     |
| Over time                                   | 142,665          | 88,384                        |
| Total revenue from contracts with customers | <b>1,685,626</b> | 1,628,157                     |

## Notes to Financial Statements (Continued)

31 December 2020

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Expressway business*

Revenue from the expressway business represents toll income and is recognised when the vehicles pass the expressway and the Group receives the payment or has the right to receive payment.

##### *Construction business*

The performance obligation is satisfied over time as construction services are rendered when the Group's performance creates and enhances an asset that the customer controls where the construction and upgrade services are performed.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

|   | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|-----------------|-----------------|
| Amounts expected to be recognised as revenue: |                 |                 |
| Within one year                               | 164,339         | 55,222          |

All amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year (2019: within one year). The amounts disclosed above do not include variable consideration which is constrained.

|   | Note | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|---|------|-----------------|-------------------------------|
| <b>Other income and gains</b>   |      |                 |                               |
| Interest income from financial assets at fair value through profit or loss  | 6    | 5,107           | 3,880                         |
| Fair value gains from financial assets at fair value through profit or loss | 6    | 2,568           | 769                           |
| Interest income from financial assets measured at amortised cost            | 6    | –               | 1,688                         |
| Bank interest income  | 6    | 16,083          | 19,221                        |
| Compensation income for road damages  |      | 3,662           | 2,421                         |
| Government grants   |      | 16,617          | 17,100                        |
| Foreign exchange differences, net   | 6    | 2,516           | 1,611                         |
| Others  |      | 2,200           | 1,481                         |
| Other income and gains  |      | 48,753          | 48,171                        |

## Notes to Financial Statements (Continued)

31 December 2020

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|  | Notes | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--|-------|-----------------|-------------------------------|
| Construction costs*  |       | 123,820         | 88,384                        |
| Maintenance and resurfacing costs and provisions*  | 27    | 98,357          | 126,211                       |
| Employee benefit expense** (including directors' and chief executive's remuneration (note 8)): |       |                 |                               |
| Wages, salaries and allowances, social security and benefits                                   |       | 112,292         | 105,300                       |
| Defined contribution pension schemes   |       | 7,214           | 14,135                        |
| Other staff benefits   |       | 6,901           | 4,468                         |
|  |       | <b>126,407</b>  | 123,903                       |
| Depreciation in respect of**:  |       |                 |                               |
| – property, plant and equipment  | 13    | 69,535          | 52,877                        |
| – right-of-use assets  | 15    | 2,304           | –                             |
| – investment properties  | 14    | 886             | 652                           |
| Amortisation of intangible assets in respect of**:   |       |                 |                               |
| – service concession arrangements  | 16    | 325,612         | 322,200                       |
| – software   | 16    | 1,519           | 814                           |
| (Gain)/loss on disposal of items of property, plant and equipment                              |       | (295)           | 230                           |
| Loss on disposal of intangible assets  |       | –               | 28,060                        |
| Impairment of trade receivables  | 19    | 2,074           | –                             |
| Impairment of contract assets  | 21    | 92              | –                             |
| Impairment of financial assets included in prepayments and other receivables                   | 20    | 39              | 45                            |
| Impairment of property, plant and equipment  | 13    | 13,520          | 1,084                         |
| Auditor's remuneration   |       | 1,450           | 1,320                         |
| Foreign exchange differences, net  | 5     | (2,516)         | (1,611)                       |
| Interest income from financial assets at fair value through profit or loss                     | 5     | (5,107)         | (3,880)                       |
| Fair value gains from financial assets at fair value through profit or loss                    | 5     | (2,568)         | (769)                         |
| Interest income from financial assets measured at amortised cost                               | 5     | –               | (1,688)                       |
| Bank interest income   | 5     | (16,083)        | (19,221)                      |

\* Construction costs and maintenance and resurfacing costs and provisions for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income. During the year ended 31 December 2020, the construction cost includes labor costs related to construction projects of RMB4,897,000 (2019: nil).

\*\* During the year ended 31 December 2020, employee benefit expense, depreciation in respect of property, plant and equipment, right-of-use assets and investment properties, and amortisation of intangible assets of RMB81,998,000, RMB57,352,000 and RMB325,612,000 (2019: RMB86,801,000, RMB47,704,000 and RMB322,200,000 (restated)), respectively are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## Notes to Financial Statements (Continued)

31 December 2020

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

|  | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|--|-------------------------------|--------------------------------------|
| Interest expenses on interest-bearing bank borrowings                          | <b>101,828</b>                | 106,388                              |
| Interest expenses on loans from<br>Shandong Hi-Speed Group (note 35 (b))       | <b>10,400</b>                 | –                                    |
| Interest on lease liabilities (note 15 (b))                                    | <b>1,360</b>                  | –                                    |
| Accreted interest on an amount due to Shandong Hi-Speed Group<br>(note 35 (c)) | <b>1,256</b>                  | 1,327                                |
|  | <b>114,844</b>                | 107,715                              |

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

|   | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Fees                                      | <b>600</b>                    | 485                    |
| Other emoluments:                         |                               |                        |
| Salaries, allowances and benefits in kind | <b>1,846</b>                  | 2,470                  |
| Performance related bonuses               | <b>1,945</b>                  | 1,433                  |
| Defined contribution pension schemes      | <b>198</b>                    | 404                    |
|   | <b>3,989</b>                  | 4,307                  |
|   | <b>4,589</b>                  | 4,792                  |

## Notes to Financial Statements (Continued)

31 December 2020

## 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The names of the directors and supervisors and their remuneration during the year are as follows:

|  | Notes      | Fees<br>RMB'000 | Wages and<br>salaries<br>RMB'000 | Performance<br>related<br>bonuses<br>RMB'000 | Welfare<br>expenses<br>RMB'000 | Total<br>RMB'000 |
|--|------------|-----------------|----------------------------------|--|--------------------------------|------------------|
| 2020   |            |                 |                                  |  |                                |                  |
| <i>Chairman of the board:</i>                |            |                 |                                  |  |                                |                  |
| Mr. Gang Li                                  |            | -               | 150                              | 536  | 45                             | 731              |
| <i>Executive directors:</i>                  |            |                 |                                  |  |                                |                  |
| Mr. Hui Peng                                 |            | -               | 150                              | 536  | 45                             | 731              |
| Mr. Qiang Liu                                | <i>i</i>   | -               | 114                              | 402  | 39                             | 555              |
|  |            | -               | 414                              | 1,474  | 129                            | 2,017            |
| <i>Non-executive directors:</i>              |            |                 |                                  |  |                                |                  |
| Mr. Dalong Chen                              |            | -               | -                                | -  | -                              | -                |
| Mr. Shaochen Wang                            |            | -               | -                                | -  | -                              | -                |
| Mr. Xiaodong Su                              |            | -               | -                                | -  | -                              | -                |
| Mr. Ruizheng Yuan                            |            | -               | -                                | -  | -                              | -                |
| Mr. Haolai Tang                              |            | -               | -                                | -  | -                              | -                |
| Mr. Genyu Zhou                               | <i>iii</i> | -               | -                                | -  | -                              | -                |
| Ms. Xia Kong                                 | <i>iii</i> | -               | -                                | -  | -                              | -                |
|  |            | -               | -                                | -  | -                              | -                |
| <i>Chairman of the board of supervisors:</i> |            |                 |                                  |  |                                |                  |
| Ms. Xin Meng                                 |            | -               | -                                | -  | -                              | -                |
| <i>Supervisors:</i>                          |            |                 |                                  |  |                                |                  |
| Mr. Yongfu Wu                                |            | -               | -                                | -  | -                              | -                |
| Mr. Yin Zhang                                | <i>v</i>   | -               | -                                | -  | -                              | -                |
| Mr. Shun Wang                                | <i>vi</i>  | -               | 109                              | 157  | 26                             | 292              |
| Mr. Dehong Hao                               |            | -               | 84                               | 157  | 25                             | 266              |
| Ms. Qinghong Hou                             |            | -               | 87                               | 157  | 24                             | 268              |
| Mr. Ruzhi Li                                 |            | -               | 120                              | -  | -                              | 120              |
| Mr. Qinghui Meng                             | <i>ix</i>  | -               | 120                              | -  | -                              | 120              |
|  |            | -               | 520                              | 471  | 75                             | 1,066            |
| <i>Independent non-executive directors:</i>  |            |                 |                                  |  |                                |                  |
| Mr. Xuezhao Cheng                            |            | 120             | -                                | -  | -                              | 120              |
| Mr. Hua Li                                   |            | 120             | -                                | -  | -                              | 120              |
| Mr. Lingfang Wang                            |            | 120             | -                                | -  | -                              | 120              |
| Mr. Jiale He                                 |            | 120             | -                                | -  | -                              | 120              |
| Mr. Ping Han                                 | <i>xi</i>  | 120             | -                                | -  | -                              | 120              |
|  |            | 600             | -                                | -  | -                              | 600              |
|  |            | 600             | 934                              | 1,945  | 204                            | 3,683            |

## Notes to Financial Statements (Continued)

31 December 2020

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

|  | Notes       | Fees<br>RMB'000 | Wages and<br>salaries<br>RMB'000 | Performance<br>related<br>bonuses<br>RMB'000 | Welfare<br>expenses<br>RMB'000 | Total<br>RMB'000 |
|--|-------------|-----------------|----------------------------------|--|--------------------------------|------------------|
| 2019   |             |                 |                                  |  |                                |                  |
| <i>Chairman of the board:</i>                |             |                 |                                  |  |                                |                  |
| Mr. Gang Li                                  |             | –               | 217                              | 347  | 43                             | 607              |
| <i>Executive directors:</i>                  |             |                 |                                  |  |                                |                  |
| Mr. Hui Peng                                 |             | –               | 213                              | 347  | 43                             | 603              |
| Mr. Qiang Liu                                | <i>i</i>    | –               | 184                              | 269  | 37                             | 490              |
|  |             | –               | 614                              | 963  | 123                            | 1,700            |
| <i>Non-executive directors:</i>              |             |                 |                                  |  |                                |                  |
| Mr. Dalong Chen                              |             | –               | –                                | –  | –                              | –                |
| Mr. Shaochen Wang                            |             | –               | –                                | –  | –                              | –                |
| Mr. Dengyi Wu                                | <i>ii</i>   | –               | –                                | –  | –                              | –                |
| Mr. Jie Li                                   | <i>ii</i>   | –               | –                                | –  | –                              | –                |
| Mr. Long Wang                                | <i>ii</i>   | –               | –                                | –  | –                              | –                |
| Mr. Xiaodong Su                              |             | –               | –                                | –  | –                              | –                |
| Mr. Ruizheng Yuan                            |             | –               | –                                | –  | –                              | –                |
| Mr. Haolai Tang                              |             | –               | –                                | –  | –                              | –                |
| Mr. Cenyu Zhou                               | <i>iii</i>  | –               | –                                | –  | –                              | –                |
| Ms. Xia Kong                                 | <i>iii</i>  | –               | –                                | –  | –                              | –                |
|  |             | –               | –                                | –  | –                              | –                |
| <i>Chairman of the board of supervisors:</i> |             |                 |                                  |  |                                |                  |
| Ms. Xin Meng                                 |             | –               | –                                | –  | –                              | –                |
| <i>Supervisors:</i>                          |             |                 |                                  |  |                                |                  |
| Mr. Ligang Liu                               | <i>iv</i>   | –               | –                                | –  | –                              | –                |
| Mr. Yongfu Wu                                |             | –               | –                                | –  | –                              | –                |
| Mr. Yin Zhang                                | <i>v</i>    | –               | –                                | –  | –                              | –                |
| Mr. Shun Wang                                | <i>vi</i>   | –               | 126                              | 117  | 24                             | 267              |
| Mr. Dehong Hao                               |             | –               | 109                              | 117  | 23                             | 249              |
| Ms. Qinghong Hou                             |             | –               | 103                              | 118  | 23                             | 244              |
| Mr. Shengguo Lian                            | <i>vii</i>  | –               | 163                              | 118  | 26                             | 307              |
| Mr. Ruzhi Li                                 |             | –               | 111                              | –  | –                              | 111              |
| Ms. Xiaoyun Jiang                            | <i>viii</i> | –               | 116                              | –  | –                              | 116              |
| Mr. Qinghui Meng                             | <i>ix</i>   | –               | 14                               | –  | –                              | 14               |
|  |             | –               | 742                              | 470  | 96                             | 1,308            |
| <i>Independent non-executive directors:</i>  |             |                 |                                  |  |                                |                  |
| Mr. Xuezhao Cheng                            |             | 120             | –                                | –  | –                              | 120              |
| Mr. Hua Li                                   |             | 120             | –                                | –  | –                              | 120              |
| Mr. Lingfang Wang                            |             | 120             | –                                | –  | –                              | 120              |
| Mr. Jiale He                                 |             | 111             | –                                | –  | –                              | 111              |
| Mr. Ping Han                                 | <i>xi</i>   | 14              | –                                | –  | –                              | 14               |
| Mr. Yuxiang Wu                               | <i>x</i>    | –               | –                                | –  | –                              | –                |
|  |             | 485             | –                                | –  | –                              | 485              |
|  |             | 485             | 1,356                            | 1,433  | 219                            | 3,493            |



## Notes to Financial Statements (Continued)

31 December 2020

## 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

|  | Notes      | Social security,<br>housing fund<br>and trade union<br>fee contributed<br>by staff<br>RMB'000 | Social security<br>and housing<br>fund contributed<br>by Company<br>RMB'000 | Defined<br>contribution<br>pension<br>schemes<br>RMB'000 | Total<br>RMB'000 |
|--|------------|---|---|--|------------------|
| 2020   |            |   |   |  |                  |
| <i>Chairman of the board:</i>                |            |   |   |  |                  |
| Mr. Gang Li                                  |            | 61  | 70  | 44   | 175              |
| <i>Executive directors:</i>                  |            |   |   |  |                  |
| Mr. Hui Peng                                 |            | 62  | 70  | 44   | 176              |
| Mr. Qiang Liu                                | <i>i</i>   | 60  | 66  | 38   | 164              |
|  |            | 183   | 206   | 126  | 515              |
| <i>Non-executive directors:</i>              |            |   |   |  |                  |
| Mr. Dalong Chen                              |            | -   | -   | -  | -                |
| Mr. Shaochen Wang                            |            | -   | -   | -  | -                |
| Mr. Xiaodong Su                              |            | -   | -   | -  | -                |
| Mr. Ruizheng Yuan                            |            | -   | -   | -  | -                |
| Mr. Haolai Tang                              |            | -   | -   | -  | -                |
| Mr. Cenyu Zhou                               | <i>iii</i> | -   | -   | -  | -                |
| Ms. Xia Kong                                 | <i>iii</i> | -   | -   | -  | -                |
|  |            | -   | -   | -  | -                |
| <i>Chairman of the board of supervisors:</i> |            |   |   |  |                  |
| Ms. Xin Meng                                 |            | -   | -   | -  | -                |
| <i>Supervisors:</i>                          |            |   |   |  |                  |
| Mr. Yongfu Wu                                |            | -   | -   | -  | -                |
| Mr. Yin Zhang                                | <i>v</i>   | -   | -   | -  | -                |
| Mr. Shun Wang                                | <i>vi</i>  | 53  | 56  | 24   | 133              |
| Mr. Dehong Hao                               |            | 51  | 54  | 24   | 129              |
| Ms. Qinghong Hou                             |            | 51  | 54  | 24   | 129              |
| Mr. Ruzhi Li                                 |            | -   | -   | -  | -                |
| Mr. Qinghui Meng                             | <i>ix</i>  | -   | -   | -  | -                |
|  |            | 155   | 164   | 72   | 391              |
| <i>Independent non-executive directors:</i>  |            |   |   |  |                  |
| Mr. Xuezhao Cheng                            |            | -   | -   | -  | -                |
| Mr. Hua Li                                   |            | -   | -   | -  | -                |
| Mr. Lingfang Wang                            |            | -   | -   | -  | -                |
| Mr. Jiale He                                 |            | -   | -   | -  | -                |
| Mr. Ping Han                                 | <i>xi</i>  | -   | -   | -  | -                |
|  |            | -   | -   | -  | -                |
|  |            | 338   | 370   | 198  | 906              |

## Notes to Financial Statements (Continued)

31 December 2020

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

|  | Notes       | Social security,<br>housing fund<br>and trade union<br>fee contributed<br>by staff<br>RMB'000 | Social security<br>and housing<br>fund contributed<br>by Company<br>RMB'000 | Defined<br>contribution<br>pension<br>schemes<br>RMB'000 | Total<br>RMB'000 |
|--|-------------|---|---|--|------------------|
| 2019   |             |   |   |  |                  |
| <i>Chairman of the board:</i>                |             |   |   |  |                  |
| Mr. Gang Li                                  |             | 66  | 84  | 71   | 221              |
| <i>Executive directors:</i>                  |             |   |   |  |                  |
| Mr. Hui Peng                                 |             | 66  | 84  | 71   | 221              |
| Mr. Qiang Liu                                | <i>i</i>    | 65  | 81  | 65   | 211              |
|  |             | 197   | 249   | 207  | 653              |
| <i>Non-executive directors:</i>              |             |   |   |  |                  |
| Mr. Dalong Chen                              |             | –   | –   | –  | –                |
| Mr. Shaochen Wang                            |             | –   | –   | –  | –                |
| Mr. Dengyi Wu                                | <i>ii</i>   | –   | –   | –  | –                |
| Mr. Jie Li                                   | <i>ii</i>   | –   | –   | –  | –                |
| Mr. Long Wang                                | <i>ii</i>   | –   | –   | –  | –                |
| Mr. Xiaodong Su                              |             | –   | –   | –  | –                |
| Mr. Ruizheng Yuan                            |             | –   | –   | –  | –                |
| Mr. Haolai Tang                              |             | –   | –   | –  | –                |
| Mr. Cenyu Zhou                               | <i>iii</i>  | –   | –   | –  | –                |
| Ms. Xia Kong                                 | <i>iii</i>  | –   | –   | –  | –                |
|  |             | –   | –   | –  | –                |
| <i>Chairman of the board of supervisors:</i> |             |   |   |  |                  |
| Ms. Xin Meng                                 |             | –   | –   | –  | –                |
| <i>Supervisors:</i>                          |             |   |   |  |                  |
| Mr. Ligang Liu                               | <i>iv</i>   | –   | –   | –  | –                |
| Mr. Yongfu Wu                                |             | –   | –   | –  | –                |
| Mr. Yin Zhang                                | <i>v</i>    | –   | –   | –  | –                |
| Mr. Shun Wang                                | <i>vi</i>   | 53  | 63  | 49   | 165              |
| Mr. Dehong Hao                               |             | 50  | 60  | 47   | 157              |
| Ms. Qinghong Hou                             |             | 48  | 59  | 45   | 152              |
| Mr. Shengguo Lian                            | <i>vii</i>  | 53  | 63  | 56   | 172              |
| Mr. Ruzhi Li                                 |             | –   | –   | –  | –                |
| Ms. Xiaoyun Jiang                            | <i>viii</i> | –   | –   | –  | –                |
| Mr. Qinghui Meng                             | <i>ix</i>   | –   | –   | –  | –                |
|  |             | 204   | 245   | 197  | 646              |
| <i>Independent non-executive directors:</i>  |             |   |   |  |                  |
| Mr. Xuezhao Cheng                            |             | –   | –   | –  | –                |
| Mr. Hua Li                                   |             | –   | –   | –  | –                |
| Mr. Lingfang Wang                            |             | –   | –   | –  | –                |
| Mr. Jiale He                                 |             | –   | –   | –  | –                |
| Mr. Ping Han                                 | <i>xi</i>   | –   | –   | –  | –                |
| Mr. Yuxiang Wu                               | <i>x</i>    | –   | –   | –  | –                |
|  |             | –   | –   | –  | –                |
|  |             | 401   | 494   | 404  | 1,299            |

## Notes to Financial Statements (Continued)

31 December 2020

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes:

- (i) Mr. Qiang Liu was appointed as an executive director of the Company in November 2019.
- (ii) Mr. Dengyi Wu, Mr. Jie Li and Mr. Long Wang resigned as non-executive directors of the Company in November 2019.
- (iii) Mr. Cenyu Zhou and Ms. Xia Kong were appointed as non-executive directors of the Company in November 2019.
- (iv) Mr. Ligang Liu resigned as a shareholder representative supervisor of the Company in November 2019.
- (v) Mr. Yin Zhang was appointed as a shareholder representative supervisor of the Company in November 2019.
- (vi) Mr. Shun Wang was appointed as an employee supervisor of the Company in October 2019.
- (vii) Mr. Shengguo Lian resigned as an employee supervisor of the Company in October 2019.
- (viii) Ms. Xiaoyun Jiang resigned as a supervisor of the Company in November 2019.
- (ix) Mr. Qinghui Meng was appointed as a supervisor of the Company in November 2019.
- (x) Mr. Yuxiang Wu resigned as an independent non-executive director of the Company in November 2019.
- (xi) Mr. Ping Han was appointed as an independent non-executive director of the Company in November 2019.

Mr. Yuxiang Wu, former independent non-executive director, agreed to waive his director's emolument since his appointment. His entitled emolument during the year ended 31 December 2019 was RMB116,000. No emoluments were paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to Financial Statements (Continued)

31 December 2020

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor supervisor of the Company are as follows:

|   | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowances and benefits in kind | 550             | 748             |
| Performance related bonuses               | 804             | 538             |
| Defined contribution pension schemes      | 76              | 131             |
|   | <b>1,430</b>    | 1,417           |

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

|                     | Number of employees |      |
|---------------------|---------------------|------|
|                     | 2020                | 2019 |
| Nil to HKD1,000,000 | 2                   | 2    |

No emoluments were paid by the Group to any of the above non-director or non-supervisor highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

### 10. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2019: nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% (2019: 25%) of the assessable profits during the year.

|   | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|---|-----------------|-------------------------------|
| Current – Mainland China                      |                 |                               |
| Charge for the year                           | 211,355         | 216,452                       |
| (Overprovision)/underprovision in prior years | (682)           | 307                           |
| Deferred (note 28)                            | (4,168)         | (17,237)                      |
| Total tax charge for the year                 | <b>206,505</b>  | 199,522                       |

## Notes to Financial Statements (Continued)

31 December 2020

### 10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

|  | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--|-----------------|-------------------------------|
| Profit before tax  | 827,281         | 795,250                       |
| Tax at the statutory tax rate at 25%   | 206,820         | 198,812                       |
| Effect of different tax rate of a subsidiary operating in another jurisdiction | 123             | 251                           |
| Income not subject to tax  | (125)           | –                             |
| Expenses not deductible for tax  | 346             | 44                            |
| Tax losses not recognised  | 23              | 124                           |
| Tax losses utilised from previous periods                                      | –               | (16)                          |
| Adjustments in respect of tax of previous periods                              | (682)           | 307                           |
| Tax charge at the Group's effective tax rate                                   | 206,505         | 199,522                       |

The share of tax attributable to associate amounting to RMB182,000 (2019: nil) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss and other comprehensive income.

### 11. DIVIDENDS

|   | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|-----------------|-----------------|
| Proposed final – RMB0.180 (2019: RMB0.163) per ordinary share | 360,000         | 326,000         |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,000,000,000 (2019: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

## Notes to Financial Statements (Continued)

31 December 2020

### 13. PROPERTY, PLANT AND EQUIPMENT

|  | Buildings<br>RMB'000 | Ancillary<br>equipment<br>RMB'000 | Machinery<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Office and<br>other<br>equipment<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------|-----------------------------------|----------------------|------------------------------|---|--|------------------|
| <b>31 December 2020</b>  |                      |                                   |                      |                              |   |  |                  |
| At 1 January 2020<br>(as restated):  |                      |                                   |                      |                              |   |  |                  |
| Cost   | 92,970               | 6,221                             | 401,495              | 12,538                       | 54,538                                      | 1,078                                  | 568,840          |
| Accumulated depreciation<br>and impairment   | (7,480)              | (2,850)                           | (149,896)            | (11,120)                     | (21,595)                                    | -                                      | (192,941)        |
| Net carrying amount  | 85,490               | 3,371                             | 251,599              | 1,418                        | 32,943                                      | 1,078                                  | 375,899          |
| At 1 January 2020,<br>net of accumulated<br>depreciation and<br>impairment (as restated) | 85,490               | 3,371                             | 251,599              | 1,418                        | 32,943                                      | 1,078                                  | 375,899          |
| Additions  | -                    | -                                 | 19,593               | 4,660                        | 9,316                                       | 1,071                                  | 34,640           |
| Acquisition of a subsidiary<br>(note 31)   | -                    | -                                 | 4,776                | 351                          | 64  | -                                      | 5,191            |
| Disposals  | -                    | -                                 | -                    | (100)                        | -   | -                                      | (100)            |
| Depreciation provided<br>during the year   | (3,694)              | (738)                             | (51,459)             | (591)                        | (13,053)                                    | -                                      | (69,535)         |
| Adjustments  | 1,541                | -                                 | 1,848                | -                            | (2,263)                                     | -                                      | 1,126            |
| Impairment   | -                    | -                                 | (13,520)             | -                            | -   | -                                      | (13,520)         |
| Transfers  | -                    | 997                               | -                    | -                            | -   | (997)                                  | -                |
| At 31 December 2020,<br>net of accumulated<br>depreciation and<br>impairment             | 83,337               | 3,630                             | 212,837              | 5,738                        | 27,007                                      | 1,152                                  | 333,701          |
| At 31 December 2020:   |                      |                                   |                      |                              |   |  |                  |
| Cost   | 94,511               | 7,218                             | 428,157              | 16,674                       | 61,687                                      | 1,152                                  | 609,399          |
| Accumulated depreciation<br>and impairment   | (11,174)             | (3,588)                           | (215,320)            | (10,936)                     | (34,680)                                    | -                                      | (275,698)        |
| Net carrying amount  | 83,337               | 3,630                             | 212,837              | 5,738                        | 27,007                                      | 1,152                                  | 333,701          |

## Notes to Financial Statements (Continued)

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|  | Buildings<br><i>RMB'000</i> | Ancillary<br>equipment<br><i>RMB'000</i> | Machinery<br><i>RMB'000</i> | Motor<br>vehicles<br><i>RMB'000</i> | Office and<br>other<br>equipment<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|-----------------------------|--|-----------------------------|-------------------------------------|--|---|-------------------------|
| <b>31 December 2019 (restated)</b>   |                             |  |                             |                                     |  |   |                         |
| At 1 January 2019:   |                             |  |                             |                                     |  |   |                         |
| Cost   | 105,145                     | 5,764                                    | 359,752                     | 15,575                              | 29,246   | 3,941   | 519,423                 |
| Accumulated depreciation<br>and impairment                                   | (4,589)                     | (2,426)                                  | (104,862)                   | (12,197)                            | (20,950)   | -   | (145,024)               |
| Net carrying amount  | 100,556                     | 3,338                                    | 254,890                     | 3,378                               | 8,296  | 3,941   | 374,399                 |
| At 1 January 2019,<br>net of accumulated<br>depreciation and<br>impairment   | 100,556                     | 3,338                                    | 254,890                     | 3,378                               | 8,296  | 3,941   | 374,399                 |
| Additions  | 403                         | 1,052                                    | 39,268                      | 195                                 | 28,910   | -   | 69,828                  |
| Disposals  | -                           | (303)                                    | (183)                       | (1,288)                             | (187)  | -   | (1,961)                 |
| Depreciation provided<br>during the year                                     | (3,904)                     | (716)                                    | (45,212)                    | (867)                               | (2,178)  | -   | (52,877)                |
| Impairment   | -                           | -  | (27)                        | -                                   | (1,057)  | -   | (1,084)                 |
| Transfers  | (11,565)                    | -  | 2,863                       | -                                   | (841)  | (2,863)                                       | (12,406)                |
| At 31 December 2019,<br>net of accumulated<br>depreciation and<br>impairment | 85,490                      | 3,371                                    | 251,599                     | 1,418                               | 32,943   | 1,078   | 375,899                 |
| At 31 December 2019:   |                             |  |                             |                                     |  |   |                         |
| Cost   | 92,970                      | 6,221                                    | 401,495                     | 12,538                              | 54,538   | 1,078   | 568,840                 |
| Accumulated depreciation<br>and impairment                                   | (7,480)                     | (2,850)                                  | (149,896)                   | (11,120)                            | (21,595)   | -   | (192,941)               |
| Net carrying amount  | 85,490                      | 3,371                                    | 251,599                     | 1,418                               | 32,943   | 1,078   | 375,899                 |

As at 31 December 2020, the aggregate carrying value of the buildings without ownership certificates was RMB10,403,000 (2019: RMB10,851,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.



## Notes to Financial Statements (Continued)

31 December 2020

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain machinery, office and other equipment with a net carrying amount of RMB13,520,000 (2019: RMB1,084,000) were considered obsolete and an impairment of RMB13,520,000 (2019: RMB1,084,000) was recognised in profit or loss during the year ended 31 December 2020.

### 14. INVESTMENT PROPERTIES

|  | 2020<br>RMB'000 | 2019<br>RMB'000 |
|--|-----------------|-----------------|
| Cost at 1 January, net of accumulated depreciation   | 21,445          | 10,532          |
| Transfer in from property, plant and equipment       | –               | 11,565          |
| Depreciation provided during the year                | (886)           | (652)           |
| Cost at 31 December, net of accumulated depreciation | 20,559          | 21,445          |
| At 31 December:                                      |                 |                 |
| Cost   | 23,806          | 23,806          |
| Accumulated depreciation                             | (3,247)         | (2,361)         |
| Net carrying amount                                  | 20,559          | 21,445          |
| Fair value at the end of the year                    | 20,385          | 21,468          |

The Group's investment properties consist of 14 (2019: 14) commercial properties in Mainland China. The fair value of the Group's investment properties as at 31 December 2020 of RMB20,385,000 (2019: RMB21,468,000) was estimated based on valuations performed by an external independent valuer.

The fair value measurements of the Group's investment properties are categorised within Level 3. The valuation techniques are the market approach and the discounted cash flow method and the significant inputs used in the fair value measurement are the estimated rental value, rent growth and discount rate.

The Group has determined that the current use of properties is the highest and best use at the measurement date and no impairment provisions will be made for these properties considering that the fair value was slightly lower than the carrying amount.

As at 31 December 2020, the aggregate carrying value of the buildings without ownership certificates was RMB20,559,000 (2019: RMB21,445,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

## Notes to Financial Statements (Continued)

31 December 2020

### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Annual payments were made to acquire the leased land from the owners with lease periods of 20 to 24 years, and ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

|  | Leasehold<br>land<br><i>RMB'000</i> | Buildings<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|-------------------------------------|-----------------------------|-------------------------|
| As at 31 December 2019 and<br>1 January 2020 | –                                   | –                           | –                       |
| Additions                                    | 77,299                              | 3,178                       | 80,477                  |
| Depreciation charge                          | (1,536)                             | (768)                       | (2,304)                 |
| As at 31 December 2020                       | 75,763                              | 2,410                       | 78,173                  |

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

|  | 2020<br><i>RMB'000</i> |
|--|------------------------|
| Carrying amount at 1 January                     | –                      |
| New leases                                       | 80,477                 |
| Accretion of interest recognised during the year | 1,360                  |
| Covid-19-related rent concessions from lessors   | (153)                  |
| Payments   | (2,845)                |
| Carrying amount at 31 December                   | 78,839                 |
| Analysed into:                                   |                        |
| Current portion                                  | 2,928                  |
| Non-current portion                              | 75,911                 |

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 15. LEASES (CONTINUED)

#### The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

|  | 2020<br>RMB'000 |
|--|-----------------|
| Interest on lease liabilities                    | 1,360           |
| Depreciation charge of right-of-use assets       | 2,304           |
| Covid-19-related rent concessions from lessors   | (153)           |
| <b>Total amount recognised in profit or loss</b> | <b>3,511</b>    |

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

#### The Group as a lessor

The Group leases its investment properties (note 14) consisting of 14 (2019: 14) commercial properties in Mainland China and advertisement billboards and telecommunication cable pipes under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,910,000 (2019: RMB4,086,000 (restated)), details of which are included in note 5 to the financial statements.

At 31 December 2020, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

|   | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|---|-----------------|-------------------------------|
| Within one year                         | 2,931           | 2,256                         |
| After one year but within two years     | 2,027           | 2,211                         |
| After two years but within three years  | 974             | 1,640                         |
| After three years but within four years | 875             | 1,165                         |
| After four years but within five years  | 693             | 715                           |
| After five years                        | 523             | 2,032                         |
|   | <b>8,023</b>    | 10,019                        |

## Notes to Financial Statements (Continued)

31 December 2020

## 16. INTANGIBLE ASSETS

|  | Service<br>concession<br>arrangements<br>RMB'000 | Software<br>RMB'000 | Total<br>RMB'000 |
|--|--|---------------------|------------------|
| <b>31 December 2020</b>  |  |                     |                  |
| Cost at 1 January 2020, net of<br>accumulated amortisation (as restated) | 5,951,120  | 4,760               | 5,955,880        |
| Additions  | 51,332   | 96                  | 51,428           |
| Amortisation provided during the year                                    | (325,612)  | (1,519)             | (327,131)        |
| Adjustment in final settlements  | (58,829)   | -                   | (58,829)         |
| At 31 December 2020  | <b>5,618,011</b>                                 | <b>3,337</b>        | <b>5,621,348</b> |
| At 31 December 2020:   |  |                     |                  |
| Cost   | 8,544,841  | 6,398               | 8,551,239        |
| Accumulated amortisation and impairment                                  | (2,926,830)                                      | (3,061)             | (2,929,891)      |
| Net carrying amount  | <b>5,618,011</b>                                 | <b>3,337</b>        | <b>5,621,348</b> |
| <b>31 December 2019 (as restated)</b>                                    |  |                     |                  |
| At 1 January 2019:   |  |                     |                  |
| Cost   | 8,510,987  | 2,498               | 8,513,485        |
| Accumulated amortisation   | (2,298,954)                                      | (789)               | (2,299,743)      |
| Net carrying amount  | 6,212,033  | 1,709               | 6,213,742        |
| Cost at 1 January 2019, net of<br>accumulated amortisation               | 6,212,033  | 1,709               | 6,213,742        |
| Additions  | 88,384   | 3,042               | 91,426           |
| Disposals  | (28,081)   | (18)                | (28,099)         |
| Amortisation provided during the year                                    | (322,200)  | (814)               | (323,014)        |
| Transfers  | -  | 841                 | 841              |
| Adjustment in final settlements  | 984  | -                   | 984              |
| At 31 December 2019  | 5,951,120  | 4,760               | 5,955,880        |
| At 31 December 2019 and at 1 January 2020:                               |  |                     |                  |
| Cost   | 8,552,337  | 6,302               | 8,558,639        |
| Accumulated amortisation   | (2,601,217)                                      | (1,542)             | (2,602,759)      |
| Net carrying amount  | 5,951,120  | 4,760               | 5,955,880        |

## Notes to Financial Statements (Continued)

31 December 2020

### 16. INTANGIBLE ASSETS (CONTINUED)

The details of the toll road Jihe Expressway, Deshang Expressway and Shennan Expressway under the Concession Arrangement and Transfer Agreement are disclosed in note 1.

During the year, the Group was in the construction progress of the upgrade project of Jihe Expressway and Deshang Expressway. Total construction costs of RMB51,332,000 were incurred (2019: RMB88,384,000 (restated)). All construction works were sub-contracted to third party subcontractors.

In addition, construction revenue of RMB51,332,000 (2019: RMB88,384,000 (restated)) was recognised in respect of the construction services provided by the Group for the upgrade project of Jihe Expressway and Deshang Expressway using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the upgrade projects and commencement of operation.

The operating right pertaining to Deshang Expressway of the Group was pledged to secure a bank loan granted to the Group (note 26). The net carrying amounts of such operating right were approximately RMB2,430,319,000 (restated) and RMB2,314,288,000, respectively, as at 31 December 2019 and 2020.

### 17. INVESTMENT IN AN ASSOCIATE

|                     | 2020<br>RMB' 000 |
|---------------------|------------------|
| Share of net assets | 20,974           |

The Group did not have any investments in associates in 2019.

The Group's other receivable balances and trade payable balances with the associate are disclosed in note 35 to the financial statements.

Particulars of the Group's associate are as follows:

| Name  | Particulars of capital invested  | Place of registration and business | Percentage of ownership interest attributable to the Group | Principal activity                |
|---|----------------------------------|------------------------------------|--|-----------------------------------|
| Jinan Xinyue New Road Material Research and Development Co., Ltd. | Paid-up capital of RMB30,000,000 | PRC/Mainland China                 | 40   | Material research and development |

The Group's shareholdings in the associate all comprise equity shares held through a wholly-owned subsidiary of the Company, Shandong Gangtong Construction. Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue") became an associate of the Group upon the completion of the acquisition of Shandong Gangtong Construction on 30 March 2020, further details of which are set out in note 31 of financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The financial year of the above associate is coterminous with that of the Group.

Jinan Xinyue, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the research and development of materials used for road maintenance and construction and is accounted for using the equity method.

The following table illustrates Jinan Xinyue's summarised financial position information as at 31 December 2020 and summarised financial performance information for the period from 30 March to 31 December 2020 (i.e., the period after Jinan Xinyue has become an associate of the Group), adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

|  | <b>31 December 2020</b><br><i>RMB'000</i>                 |
|--|---|
| Current assets   | <b>40,025</b>   |
| Non-current assets                                       | <b>33,459</b>   |
| Current liabilities                                      | <b>(21,050)</b>   |
| <b>Net assets</b>  | <b>52,434</b>   |
| Reconciliation to the Group's interest in the associate: |   |
| Proportion of the Group's ownership                      | <b>40%</b>  |
| Group's share of net assets of the associate             | <b>20,974</b>   |
| Carrying amount of the investment                        | <b>20,974</b>   |
|  | <b>Period from 30 March to</b><br><b>31 December 2020</b> |
| Revenue  | <b>47,220</b>   |
| Profit for the period                                    | <b>1,248</b>  |
| Total comprehensive income for the period                | <b>1,248</b>  |
| Share of the associate's profit for the period           | <b>499</b>  |

## Notes to Financial Statements (Continued)

31 December 2020

### 18. INVENTORIES

|  | 2020<br>RMB'000 | 2019<br>RMB'000 |
|--|-----------------|-----------------|
| Materials and spare parts for toll road repair and maintenance | 3,876           | 2,359           |
| Low-value consumption goods                                    | -               | 70              |
|  | <b>3,876</b>    | 2,429           |

### 19. TRADE AND BILLS RECEIVABLES

Trade receivables are analysed by category as follows:

|                        | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|------------------------|-----------------|-------------------------------|
| Trade receivables      | 84,806          | 24,790                        |
| Impairment             | (2,074)         | -                             |
| Trade receivables, net | <b>82,732</b>   | 24,790                        |
| Bills receivable       | 365             | 600                           |
|                        | <b>83,097</b>   | 25,390                        |

Trade receivables mainly consist of receivables of construction contracting and toll road income receivables from Shandong Transport Department for the uncollected expressway income as at the relevant year end.

For receivables of construction contracting, the payment terms of contract work receivables are stipulated in the relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months.

Trade receivables of toll road income from Shandong Transport Department are expected to be settled within one month (2019: within one month).

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.



## Notes to Financial Statements (Continued)

31 December 2020

### 19. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

|                 | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|-----------------|-------------------------------|--------------------------------------|
| Within one year | <b>82,732</b>                 | 24,790                               |

The movement in the loss allowance for impairment of trade receivables is as follows:

|                                 | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| At beginning of year            | –                             | –                      |
| Impairment losses, net (note 6) | <b>(2,074)</b>                | –                      |
| At end of year                  | <b>(2,074)</b>                | –                      |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group's toll road income receivables were from Shandong Transport Department and there is no past due balance. Management keeps reviewing and assessing the creditworthiness of the Group's existing customer on an ongoing basis. No expected credit losses were provided as the directors consider that the expected credit risks of toll road income receivables are minimal.

Considering the creditworthiness of the customers and the fact of having no business dealing history, the Group measures expected credit losses of the construction contracting receivables by reference to the construction industrial experience and the expected credit loss rate is set to be 3%.

## Notes to Financial Statements (Continued)

31 December 2020

### 20. PREPAYMENTS AND OTHER RECEIVABLES

|                                | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--------------------------------|-----------------|-------------------------------|
| <i>Current portion</i>         |                 |                               |
| Prepayment to suppliers        | 717             | 7,171                         |
| Deposits and other receivables | 2,554           | 4,038                         |
| Interest receivables           | -               | 1,463                         |
|                                | <b>3,271</b>    | 12,672                        |
| Impairment allowance           | <b>(383)</b>    | (344)                         |
|                                | <b>2,888</b>    | 12,328                        |
| <i>Non-current portion</i>     |                 |                               |
| Other receivables              | 26              | 26                            |
|                                | <b>2,914</b>    | 12,354                        |

The movement in provision for impairment of other receivables is as follows:

|                                 | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---------------------------------|-----------------|-----------------|
| At beginning of year            | 344             | 299             |
| Impairment losses, net (note 6) | 39              | 45              |
| At end of year                  | <b>383</b>      | 344             |

Financial assets included in prepayments and other receivables mainly represent deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2020 was 15.00% (2019: 6.26%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

## Notes to Financial Statements (Continued)

31 December 2020

### 21. CONTRACT ASSETS

|                               | 2020<br>RMB'000 |
|-------------------------------|-----------------|
| Contract assets arising from: |                 |
| Construction services         | 3,358           |
| Impairment                    | (92)            |
|                               | <b>3,266</b>    |

The Group did not have any contract assets as at 31 December 2019. Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 was the result of the increase in the provision of construction contracting at the end of the year.

During the year ended 31 December 2020, RMB92,000 (2019: nil) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 19 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is as follows:

|                 | 2020<br>RMB'000 |
|-----------------|-----------------|
| Within one year | 3,266           |

The movement in the loss allowance for impairment of contract assets is as follows:

|                            | 2020<br>RMB'000 |
|----------------------------|-----------------|
| At beginning of year       | -               |
| Impairment losses (note 6) | 92              |
| At end of year             | <b>92</b>       |

## Notes to Financial Statements (Continued)

31 December 2020

### 21. CONTRACT ASSETS (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets excluding retentions using a provision matrix:

|                                  | 2020  |
|----------------------------------|-------|
| Expected credit loss rate        | 3%    |
| Gross carrying amount (RMB'000)  | 3,054 |
| Expected credit losses (RMB'000) | 92    |

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                            | 2020<br>RMB'000 | 2019<br>RMB'000 |
|----------------------------|-----------------|-----------------|
| Structured bank deposits   | 452,568         | 200,000         |
| Wealth management products | 12,236          | –               |
|                            | <b>464,804</b>  | 200,000         |

The structured bank deposits and wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## Notes to Financial Statements (Continued)

31 December 2020

### 23. CASH AND CASH EQUIVALENTS

|                           | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|---------------------------|-------------------------------|--------------------------------------|
| Cash and bank balances    | <b>71,203</b>                 | 1,393,672                            |
| Time deposits             | <b>3,528</b>                  | 3,505                                |
| Cash and cash equivalents | <b>74,731</b>                 | 1,397,177                            |

At the end of the reporting period, cash and bank balances were denominated in RMB and HKD.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances are deposited with creditworthy banks with no recent history of default. The Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

### 24. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|               | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|---------------|-------------------------------|--------------------------------------|
| Within 1 year | <b>81,220</b>                 | 30,789                               |
| 1 to 2 years  | <b>593</b>                    | 110,655                              |
| Over 2 years  | <b>3,098</b>                  | 6,921                                |
|               | <b>84,911</b>                 | 148,365                              |

Included in the trade payables are amounts totalling RMB10,611,000 (2019: RMB167,000 (restated)) due to the Group's related parties, which are repayable on credit terms similar to those offered by other similar suppliers of the Group. Further details of the purchases from these related parties are set out in note 35 to the financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 24. TRADE PAYABLES (CONTINUED)

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between 1 and 2 years, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

### 25. OTHER PAYABLES AND ACCRUALS

|  | Notes | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--|-------|-----------------|-------------------------------|
| Due to related parties (note 35 (c))           |       | 52,980          | 609,749                       |
| Staff salaries and welfare                     |       | 35,437          | 29,192                        |
| Other taxes and surcharge payables             |       | 10,320          | 5,324                         |
| Advance from customers                         |       | 8,261           | 9,155                         |
| Payables for purchases of long-term assets     | (b)   | 7,440           | 31,028                        |
| Other payables and accruals                    | (b)   | 3,707           | 7,907                         |
| Other retention payables and deposits received | (b)   | 2,232           | 3,284                         |
| Contract liabilities                           | (a)   | 785             | –                             |
| Interest payables                              |       | –               | 2,585                         |
|  |       | <b>121,162</b>  | 698,224                       |
| Less: Non-current portion                      |       | <b>24,139</b>   | 25,643                        |
| Current portion                                |       | <b>97,023</b>   | 672,581                       |

Notes:

- (a) Details of contract liabilities are as follows:

|                       | 2020<br>RMB'000 | 2019<br>RMB'000 |
|-----------------------|-----------------|-----------------|
| Construction services | 785             | –               |

Contract liabilities include short-term advances received from customers for construction services when the pace of progress billings exceeds the pace of relevant construction projects.

- (b) Other payables are non-interest-bearing, and repayable based on credit periods which are granted by each individual supplier or contractor on a case-by-case basis and set out in the respective contracts.

## Notes to Financial Statements (Continued)

31 December 2020

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

|                         | 2020                        |           |                  | 2019                        |           |           |
|-------------------------|-----------------------------|-----------|------------------|-----------------------------|-----------|-----------|
|                         | Effective interest rate (%) | Maturity  | RMB' 000         | Effective interest rate (%) | Maturity  | RMB' 000  |
| Current                 |                             |           |                  | (Restated)                  |           |           |
| Bank loans – secured    | 4.41                        | 2021      | 211,657          | 4.90                        | 2020      | 150,000   |
| Bank loans – unsecured  | 3.95-4.41                   | 2021      | 122,236          | 4.41                        | 2020      | 175,000   |
| Bank loans – guaranteed |                             |           | –                | 4.90                        | 2020      | 3,048     |
| Other loans – unsecured | 4.75                        | 2021      | 200,462          |                             |           | –         |
|                         |                             |           | <b>534,355</b>   |                             |           | 328,048   |
| Non-current:            |                             |           |                  |                             |           |           |
| Bank loans – secured    | 4.41                        | 2022-2026 | 1,142,470        | 4.90                        | 2021-2026 | 1,352,470 |
| Bank loans – unsecured  | 3.95-4.41                   | 2022-2032 | 1,430,242        | 4.41                        | 2021      | 70,000    |
| Bank loans – guaranteed |                             |           | –                | 4.90                        | 2021-2032 | 220,856   |
| Other loans – unsecured | 4.75                        | 2022      | 150,000          |                             |           | –         |
|                         |                             |           | <b>2,722,712</b> |                             |           | 1,643,326 |
|                         |                             |           | <b>3,257,067</b> |                             |           | 1,971,374 |



## Notes to Financial Statements (Continued)

31 December 2020

### 26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

|  | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|--|-------------------------------|--------------------------------------|
| Analysed into:                         |                               |                                      |
| Bank loans repayable:                  |                               |                                      |
| Within one year                        | <b>333,893</b>                | 328,048                              |
| In the second year                     | <b>348,887</b>                | 364,048                              |
| In the third to fifth years, inclusive | <b>1,334,290</b>              | 673,641                              |
| Beyond five years                      | <b>889,535</b>                | 605,637                              |
|  | <b>2,906,605</b>              | 1,971,374                            |
| Other borrowings repayable:            |                               |                                      |
| Within one year                        | <b>200,462</b>                | —                                    |
| In the second year                     | <b>150,000</b>                | —                                    |
|  | <b>350,462</b>                | —                                    |
|  | <b>3,257,067</b>              | 1,971,374                            |

The Group's bank loan of approximately RMB1,354,126,776 (2019: RMB1,502,470,000 (restated)) as at 31 December 2020 was secured by the operating right of Deshang Expressway (note 16) with a net carrying amount of approximately RMB2,314,288,000 (2019: RMB2,430,319,000 (restated)) as at 31 December 2020.

The Group's bank loans of approximately RMB223,904,000 (restated) as at 31 December 2019 were guaranteed by Qilu Transportation at nil consideration. As at 31 December 2020, there was no bank loans guaranteed by the Group or Qilu Transportation or Shandong Hi-Speed Group.

Except the bank loans mentioned above, all other interest-bearing bank borrowings were loans on credit.

The Group's other loans are unsecured, bearing interest at 4.75% commencing on 11 August 2020 and are repayable according to the loan agreement.

At the end of the reporting period, all interest-bearing bank and other borrowings were denominated in RMB.

## Notes to Financial Statements (Continued)

31 December 2020

## 27. PROVISIONS

## 31 December 2020

|                                  | Maintenance<br>and resurfacing<br>provision<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|----------------------------------|---|--------------------------|-------------------------|
| At 1 January 2020                | 148,363   | 57                       | 148,420                 |
| Additional provisions            | 98,357  | 717                      | 99,074                  |
| Amounts utilised during the year | (69,969)  | (57)                     | (70,026)                |
| At 31 December 2020              | 176,751   | 717                      | 177,468                 |

## 31 December 2019

|                                  | Maintenance<br>and resurfacing<br>provision<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|----------------------------------|---|--------------------------|-------------------------|
| At 1 January 2019                | 113,490   | –                        | 113,490                 |
| Additional provisions            | 117,902   | 57                       | 117,959                 |
| Amounts utilised during the year | (83,029)  | –                        | (83,029)                |
| At 31 December 2019              | 148,363   | 57                       | 148,420                 |

## Notes to Financial Statements (Continued)

31 December 2020

### 28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

#### Deferred tax assets

|   | Provision for<br>maintenance<br>and<br>resurfacing<br>obligations<br><i>RMB'000</i> | Impairment<br>of property,<br>plant and<br>equipment<br><i>RMB'000</i> | Replacement<br>of intangible<br>assets<br><i>RMB'000</i> | Accrued<br>expenses<br><i>RMB'000</i> | Bad debt<br>provisions<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|---|--|--|---------------------------------------|--|-------------------------|
| At 1 January 2019 (as restated)   | 28,372  | -  | -  | 237                                   | 75                                       | 28,684                  |
| Deferred tax credited/(charged) to the statement<br>of profit or loss and other comprehensive<br>income during the year (note 10) | 8,719   | 271  | 6,942  | (223)                                 | 11                                       | 15,720                  |
| Gross deferred tax assets at 31 December 2019<br>and 1 January 2020   | 37,091  | 271  | 6,942  | 14                                    | 86                                       | 44,404                  |
| Deferred tax credited/(charged) to the statement<br>of profit or loss and other comprehensive<br>income during the year (note 10) | <b>7,097</b>  | <b>3,319</b>   | <b>(2,934)</b>   | <b>165</b>                            | <b>551</b>                               | <b>8,198</b>            |
| Gross deferred tax assets at 31 December 2020   | <b>44,188</b>   | <b>3,590</b>   | <b>4,008</b>   | <b>179</b>                            | <b>637</b>                               | <b>52,602</b>           |

#### Deferred tax liabilities

|  | Intangible assets<br>amortisation<br>differences between<br>accounting and tax<br>regulations<br><i>RMB'000</i> | Property, plant and<br>equipment depreciation<br>differences between<br>accounting and tax<br>regulations<br><i>RMB'000</i> | Fair value<br>adjustment of financial<br>assets at fair value<br>through profit or loss<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|---|---|---|-------------------------|
| At 1 January 2019 (as restated)  | 59,500  | 67  | -   | 59,567                  |
| Deferred tax credited to the<br>statement of profit or loss and<br>other comprehensive income<br>during the year (note 10)           | (1,485)   | (32)  | -   | (1,517)                 |
| Gross deferred tax liabilities at<br>31 December 2019 and<br>1 January 2020  | 58,015  | 35  | -   | 58,050                  |
| Deferred tax charged/(credited) to<br>the statement of profit or loss and<br>other comprehensive income<br>during the year (note 10) | <b>3,416</b>  | <b>(28)</b>   | <b>642</b>  | <b>4,030</b>            |
| Gross deferred tax liabilities at<br>31 December 2020  | <b>61,431</b>   | <b>7</b>  | <b>642</b>  | <b>62,080</b>           |

## Notes to Financial Statements (Continued)

31 December 2020

### 28. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

|   | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Net deferred tax assets recognised in the consolidated statement of financial position      | <b>541</b>                    | –                      |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | <b>10,019</b>                 | 13,646                 |
| Net deferred tax liabilities  | <b>9,478</b>                  | 13,646                 |

The Group has tax losses arising in Hong Kong of RMB734,000 (2019: RMB1,502,000) that are not available for offsetting against future taxable profits of the company in which the losses arose because the company still has no operation activities as at 31 December 2020.

The Group also has tax losses arising in Mainland China of RMB400,000 (2019: RMB1,152,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

|  | <b>2020</b><br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Tax losses not recognised as deferred assets | <b>2,636</b>                  | 2,654                  |

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## Notes to Financial Statements (Continued)

31 December 2020

### 29. SHARE CAPITAL

|                       | 2020<br>RMB'000 | 2019<br>RMB'000 |
|-----------------------|-----------------|-----------------|
| Issued and fully paid | 2,000,000       | 2,000,000       |

A summary of movements in the Company's share capital is as follows:

|   | Number of<br>shares in issue<br>(Thousands) | Share<br>capital<br>RMB'000 |
|---|---|-----------------------------|
| At 1 January 2019, 31 December 2019, 1 January 2020 and<br>31 December 2020 | 2,000,000                                   | 2,000,000                   |

### 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

#### (a) Capital reserves

As at 31 December 2019, capital reserve represents the difference between the par value of the shares issued and the consideration received in connection with the IPO of the H shares of the Company on the HKEX, the amount of 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 and the contribution from the parent company.

During the year of 2020, a deduction of RMB2,148,076,000 was recorded in capital reserves resulting from the acquisition under common control.

#### (b) Other reserves

All amounts of other reserves of the Group were statutory reserves. 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 as set out in their statutory financial statements to the statutory reserves until such reserves reach 50% of the registered capital. 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.

During the year of 2020, a deduction of RMB182,525,000 was recorded in other reserves resulting from the acquisition under common control.

## Notes to Financial Statements (Continued)

31 December 2020

### 31. BUSINESS COMBINATION

On 30 March 2020, the Group acquired 100% equity interest in Shandong Gangtong Construction, which is mainly engaged in undertaking highway engineering and construction business, at a cash consideration of RMB25,665,600. The fair value of identifiable net assets of Shandong Gangtong Construction at the acquisition date was RMB25,665,600. The acquisition was made as part of the Group's strategy to further improve the construction capability for road traffic.

The fair values of the identifiable assets and liabilities of Shandong Gangtong Construction as the date of acquisition were as follows:

|   | Fair value<br>recognised on<br>acquisition<br>RMB'000 |
|---|---|
| Property, plant and equipment (note 13)     | 5,191   |
| Investment in an associate                  | 20,475  |
| Total identifiable net assets at fair value | 25,666  |
| Goodwill on acquisition                     | –   |
| Satisfied by cash                           | 25,666  |

The Group incurred transaction costs of RMB984,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses at an amount of RMB407,000 and RMB577,000 in the consolidated statement of profit or loss during the year ended 31 December 2019 and 2020 respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

|   | RMB'000  |
|---|----------|
| Cash consideration  | 25,666   |
| Cash and bank balances acquired   | –        |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (25,666) |
| Transaction costs of the acquisition included in cash flows from operating activities     | (984)    |
|   | (26,650) |

Since the acquisition, Shandong Gangtong Construction contributed RMB92,540,000 to the Group's revenue and RMB8,882,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB1,689,536,000 and RMB620,451,000, respectively.

## Notes to Financial Statements (Continued)

31 December 2020

### 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB78,173,000 and RMB78,839,000, respectively, in respect of lease arrangements for land and buildings (2019: nil).

#### (b) Changes in liabilities arising from financing activities

2020

|   | Interest-bearing<br>bank and other<br>borrowings<br><i>RMB'000</i> | Other payables<br>and accruals<br><i>RMB'000</i> | Lease<br>liabilities<br><i>RMB'000</i> |
|---|--|--|--|
| At 1 January 2020 (restated)  | 1,971,374  | 573,196  | -                                      |
| Changes from financing cash flows   | 833,403  | (233,134)  | (2,845)                                |
| New leases  | -  | -  | 80,477                                 |
| Accretion of interest recognised  | -  | -  | 1,360                                  |
| Interest expenses on interest-bearing bank<br>and other borrowings                            | 101,828  | 10,400   | -                                      |
| Transfer from other payables and<br>accruals to interest-bearing bank and<br>other borrowings | 350,462  | (350,462)  | -                                      |
| Covid-19-related rent concessions from lessors  | -  | -  | (153)                                  |
| At 31 December 2020   | 3,257,067  | -  | 78,839                                 |

2019

|   | Interest-bearing<br>bank and other<br>borrowings<br><i>RMB'000</i><br>(Restated) | Other payables<br>and accruals<br><i>RMB'000</i><br>(Restated) |
|---|--|--|
| At 1 January 2019   | 2,349,422  | 600,318  |
| Changes from financing cash flows                               | (378,048)  | (133,510)  |
| Interest expenses on interest-bearing bank and other borrowings | -  | 106,388  |
| At 31 December 2019   | 1,971,374  | 573,196  |

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

|                             | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-----------------------------|------------------------|------------------------|
| Within financing activities | 2,845                  | -                      |



## Notes to Financial Statements (Continued)

31 December 2020

### 33. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

### 34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

|   | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|---|-----------------|-------------------------------|
| Contracted, but not provided for:   |                 |                               |
| Upgrade project of the Jihe Expressway  | 10,915          | 36,711                        |
| Construction and upgrade project of Deshang Expressway and Shennan Expressway | -               | 24,367                        |
|   | <b>10,915</b>   | 61,078                        |

### 35. RELATED PARTY TRANSACTIONS

The shareholders of the Company are Shandong Hi-Speed Group, COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and 神華國能山東建設集團有限公司 (Shenhua National Power Shandong Construction Group Limited, formerly known as 國網能源山東建設集團有限公司 (Guowang Resources Shandong Construction Group Limited)), which held approximately of 38.93%, 30.00% and 6.08% of the equity interests in the Company respectively, after the IPO of the Company's H shares. 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, purchases of finished products and maintenance services and transactions with state-owned banks). The Group believes that these transactions are carried out on terms that are similarly and consistently applied to all other customers or suppliers.

For the purpose of related party transaction disclosure, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are government related entities. The Company's directors believe that it is meaningful to disclose any significant related party transactions with these government related entities for the interest of the financial statement users, although these transactions are exempted from the disclosure requirements as set out in HKAS 24 (Revised). The Company's directors believe that information in respect of related party transactions has been adequately disclosed in the consolidated financial statements.

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year.

## Notes to Financial Statements (Continued)

31 December 2020

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Information about related parties

| Name   | Notes | Relationships with the Group                   |
|--|-------|--|
| Shandong Hi-Speed Group  |       | Ultimate holding company                       |
| Qilu Transportation  | (i)   | Former ultimate holding company                |
| Shandong Transport Department  |       | Parent office of Shandong Highway Bureau       |
| Shandong Provincial Communications Planning and Design Institute                   |       | A company controlled by the parent company     |
| Shandong Hi-Speed Information Group Company Limited                                | (ii)  | A company controlled by the parent company     |
| Shandong Transportation Engineering Supervision Consulting Co., Ltd.               |       | A company controlled by the parent company     |
| Shandong Hi-Speed International Industry Development Company Limited               | (iii) | A company controlled by the parent company     |
| Shandong Hi-Speed Transportation Engineering Co., Ltd.                             | (iv)  | A company controlled by the parent company     |
| Shandong Tongwei Information Engineering Co., Ltd. ("Shandong Tongwei")            |       | A company controlled by the parent company     |
| Shandong Luqiao Group Co., Ltd.  |       | A company controlled by the parent company     |
| Shandong Hi-Speed Xinlian Technology Co., Ltd.                                     |       | A company controlled by the parent company     |
| Shandong Qilu Guang Qi Transportation Technology Co., Ltd.                         |       | A company controlled by the parent company     |
| Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue") |       | An associate of Shandong Gangtong Construction |

Notes:

- (i) Due to the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation ("Joint Restructuring"), Qilu Transportation was absorbed by Shandong Hi-Speed Group and was cancelled on 16 November 2020.
- (ii) Due to the Joint Restructuring, the company, previously known as Qilu Transportation Information Group Company Limited, changed its name to Shandong Hi-Speed Information Group Company Limited in 2020.
- (iii) Due to the Joint Restructuring, the company, previously known as Qilu International Transportation Development Company Limited, changed its name to Shandong Hi-Speed International Industry Development Company Limited in 2020.
- (iv) Due to the Joint Restructuring, the company, previously known as Qilu Transportation (Binzhou) Industrial Co., Ltd., changed its name to Shandong Hi-Speed Transportation Engineering Co., Ltd. in 2020.

## Notes to Financial Statements (Continued)

31 December 2020

## 35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

|  | Notes    | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--|----------|-----------------|-------------------------------|
| Purchases of equipment:  |          |                 |                               |
| Shandong Hi-Speed Information Group Company Limited                  | (i)      | 19,193          | 35,533                        |
| Shandong Tongwei   | (i)      | 490             | –                             |
| Shandong Hi-Speed Transportation Engineering Co., Ltd.               | (i)      | –               | 1,673                         |
| Employee service fees:   |          |                 |                               |
| Shandong Hi-Speed Group  | (i)/(ii) | 11,678          | –                             |
| Interest expenses:   |          |                 |                               |
| Shandong Hi-Speed Group  | (i)      | 10,400          | –                             |
| Purchases of goods:  |          |                 |                               |
| Jinan Xinyue   | (i)      | 9,467           | –                             |
| Shandong Hi-Speed International Industry Development Company Limited | (i)      | –               | 37                            |
| Rent of land:  |          |                 |                               |
| Shandong Hi-Speed Group  | (i)      | 2,256           | –                             |
| Design expenses:   |          |                 |                               |
| Shandong Provincial Communications Planning and Design Institute     | (i)      | 1,952           | 2,091                         |
| Maintenance services:  |          |                 |                               |
| Shandong Hi-Speed Information Group Company Limited                  | (i)      | 996             | –                             |
| Shandong Tongwei   | (i)      | –               | 202                           |
| Supervision services:  |          |                 |                               |
| Shandong Transportation Engineering Supervision Consulting Co., Ltd. | (i)      | –               | 112                           |
| Software update services:  |          |                 |                               |
| Shandong Hi-Speed Information Group Company Limited                  | (i)      | –               | 45                            |
|  |          | <b>56,432</b>   | 39,693                        |

Notes:

- (i) During the year, the transactions were carried out in accordance with the terms and conditions similar to those offered by third parties in the ordinary course of business.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed Group on 2 June 2020 for the secondment of the Public-Sector Employees to provide toll collection and maintenance services for the Deshang Expressway and Shennan Expressway. Service fees are determined on a cost-plus basis based on relevant staff costs plus 6.57%. The service fees were RMB11,678,000 during the year (2019: nil).

## Notes to Financial Statements (Continued)

31 December 2020

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Outstanding balances with related parties

|  | Notes | 2020<br>RMB'000 | 2019<br>RMB'000<br>(Restated) |
|--|-------|-----------------|-------------------------------|
| <b>Trade receivables</b>   |       |                 |                               |
| Shandong Transport Department  |       | 14,558          | 19,113                        |
| Shandong Hi-Speed Group  |       | –               | 5,154                         |
|  |       | <b>14,558</b>   | 24,267                        |
| <b>Prepayments and other receivables</b>                             |       |                 |                               |
| Jinan Xinyue   |       | 117             | –                             |
| Shandong Hi-Speed Xinlian Technology Co., Ltd.                       |       | 11              | –                             |
|  |       | <b>128</b>      | –                             |
| <b>Trade payables</b>  |       |                 |                               |
| Jinan Xinyue   |       | 9,356           | –                             |
| Shandong Hi-Speed Information Group Company Limited                  |       | 996             | –                             |
| Shandong Luqiao Group Co., Ltd.                                      |       | 199             | –                             |
| Shandong Transportation Engineering Supervision Consulting Co., Ltd. |       | 60              | 112                           |
| Shandong Hi-Speed Transportation Engineering Co., Ltd.               |       | –               | 50                            |
| Shandong Qilu Guang Qi Transportation Technology Co., Ltd.           |       | –               | 5                             |
|  |       | <b>10,611</b>   | 167                           |
| <b>Other payables</b>  |       |                 |                               |
| Shandong Hi-Speed Group  | (i)   | 36,591          | 599,014                       |
| Shandong Hi-Speed Information Group Company Limited                  |       | 16,328          | 10,717                        |
| Shandong Hi-Speed Transportation Engineering Co., Ltd.               |       | 55              | –                             |
| Shandong Tongwei   |       | 6               | 18                            |
|  |       | <b>52,980</b>   | 609,749                       |
| <b>Interest-bearing bank and other borrowings</b>                    |       |                 |                               |
| Shandong Hi-Speed Group  | (ii)  | 350,462         | –                             |

## Notes to Financial Statements (Continued)

31 December 2020

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Outstanding balances with related parties (continued)

Balances with the above related parties were unsecured, non-interest bearing except for the interest-bearing bank and other borrowings with Shandong Hi-Speed Group.

Notes:

- (i) An amount of RMB26,899,000 represented the payable for the lease of land and property of Jihe Expressway in respect of the Concession Arrangement with an annual payment of RMB2,760,000 for the years from 2018 to 2034. The amount was measured at the present value of lease payments to be made over the lease term.

An amount of RMB9,692,000 represented the payable for employee service fees of Deshang Expressway and Shennan Expressway.

An amount of RMB2,760,000 in relation to the lease of land and property for the year ended 31 December 2020 was paid in March 2020.

- (ii) An amount of RMB350,462,000 represented the principle and interest payable for loans in respect of the constructions of Deshang Expressway and Shennan Expressway.

#### (d) Other transactions with related parties:

On 2 June 2020, the Group entered into the Transfer Agreement to acquire the toll collection rights of Deshang Expressway and Shennan Expressway from Qilu Transportation at cash consideration of RMB2,345,401,000. The acquisition was completed on 14 September 2020.

- (e) During the year ended 31 December 2020, the Group's significant transactions with Jinan Jinyue Expressway Project Limited Company ("濟南金日公路工程有限公司", a state-controlled entity) and China Construction Road and Bridge Group Co., Ltd. ("中建路橋集團有限公司", a state-controlled entity) primarily included project payments of approximately RMB29,530,000 and RMB27,414,000 (2019: RMB21,225,000 and RMB48,910,000), respectively.

Save as disclosed in this report, the transactions with other state-owned enterprises are individually and collectively immaterial to the Group.

In addition, during the year ended 31 December 2020, the Group's bank balances and borrowings were deposited/arranged with state-owned banks of approximately RMB44,189,000 and RMB2,215,230,000 (2019: approximately RMB1,151,241,000 (as restated) and RMB1,800,874,000 (as restated)), respectively.

- (f) Compensation of key management personnel of the Group:

|   | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowances and benefits in kind           | 3,730           | 4,149           |
| Performance-related bonuses                         | 3,647           | 2,288           |
| Defined contribution pension schemes                | 365             | 600             |
| Total compensation paid to key management personnel | 7,742           | 7,037           |

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

## Notes to Financial Statements (Continued)

31 December 2020

### 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### 2020

##### Financial assets

|  | Financial assets at fair value through profit or loss – mandatorily measured as such<br><i>RMB'000</i> | Financial assets at amortised cost<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|--|-------------------------|
| Trade and bills receivables                                    | –  | 83,097   | 83,097                  |
| Financial assets included in prepayments and other receivables | –  | 2,171  | 2,171                   |
| Financial assets at fair value through profit or loss          | 464,804  | –  | 464,804                 |
| Cash and cash equivalents                                      | –  | 74,731   | 74,731                  |
|  | <b>464,804</b>   | <b>159,999</b>                                       | <b>624,803</b>          |

##### Financial liabilities

|   | Financial liabilities at amortised cost<br><i>RMB'000</i> |
|---|---|
| Trade payables  | 84,911  |
| Financial liabilities included in other payables and accruals | 66,359  |
| Interest-bearing bank and other borrowings                    | 3,257,067   |
| Lease liabilities   | 78,839  |
|   | <b>3,487,176</b>  |

## Notes to Financial Statements (Continued)

31 December 2020

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

## 2019

## Financial assets

|   | Financial<br>assets at fair<br>value through<br>profit or loss –<br>mandatorily<br>measured<br>as such<br><i>RMB'000</i> | Financial<br>assets at<br>amortised<br>cost<br><i>RMB'000</i><br>(Restated) | Total<br><i>RMB'000</i><br>(Restated) |
|---|--|---|---------------------------------------|
| Trade and bills receivables                                       | –  | 25,390  | 25,390                                |
| Financial assets included in prepayments and<br>other receivables | –  | 5,157   | 5,157                                 |
| Financial assets at fair value through profit or loss             | 200,000  | –   | 200,000                               |
| Cash and cash equivalents   | –  | 1,397,177   | 1,397,177                             |
|   | 200,000  | 1,427,724   | 1,627,724                             |

## Financial liabilities

|   | Financial<br>liabilities at<br>amortised cost<br><i>RMB'000</i><br>(Restated) |
|---|---|
| Trade payables  | 148,365   |
| Financial liabilities included in other payables and accruals | 654,553   |
| Interest-bearing bank and other borrowings                    | 1,971,374   |
|   | 2,774,292   |



## Notes to Financial Statements (Continued)

31 December 2020

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

|  | Carrying amounts |                               | Fair values      |                               |
|--|------------------|-------------------------------|------------------|-------------------------------|
|  | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) | 2020<br>RMB'000  | 2019<br>RMB'000<br>(Restated) |
| <b>Financial liabilities</b>                     |                  |                               |                  |                               |
| Interest-bearing bank and other borrowings       | <b>3,257,067</b> | 1,971,374                     | <b>3,275,678</b> | 1,970,784                     |
| Other payables and accruals, non-current portion | <b>24,139</b>    | 25,643                        | <b>24,139</b>    | 25,643                        |
|  | <b>3,281,206</b> | 1,997,017                     | <b>3,299,817</b> | 1,996,427                     |

Management has determined that the carrying amounts of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments and other receivables, other financial assets at amortised cost, trade payables and financial liabilities included in current portion of other payables and accruals based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of the unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of interest-bearing bank and other borrowings and non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own-performance risk for interest-bearing bank and other borrowings and non-current portion of other payables as at 31 December 2020 and 31 December 2019 were assessed to be insignificant.

## Notes to Financial Statements (Continued)

31 December 2020

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

**As at 31 December 2020**

|  | Fair value measurement using                                  |  |  | Total<br>RMB'000 |
|--|---|--|--|------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>input<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>input<br>(Level 3)<br>RMB'000 |                  |
| Financial assets at fair value through<br>profit or loss | –   | 464,804  | –  | 464,804          |

As at 31 December 2019

|  | Fair value measurement using                                  |  |  | Total<br>RMB'000 |
|--|---|--|--|------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>input<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>input<br>(Level 3)<br>RMB'000 |                  |
| Financial assets at fair value through<br>profit or loss | –   | 200,000  | –  | 200,000          |

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: nil).

## Notes to Financial Statements (Continued)

31 December 2020

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

|   | Fair value measurement using                                  |  |  | Total<br>RMB'000 |
|---|---|--|--|------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>input<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>input<br>(Level 3)<br>RMB'000 |                  |
| Interest-bearing bank and<br>other borrowings | –   | 3,275,678  | –  | 3,275,678        |
| Other payables and accruals<br>– non-current  | –   | 24,139   | –  | 24,139           |
|   | –   | 3,299,817  | –  | 3,299,817        |

As at 31 December 2019

|   | Fair value measurement using                                  |  |  | Total<br>RMB'000<br>(Restated) |
|---|---|--|--|--------------------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>input<br>(Level 2)<br>RMB'000<br>(Restated) | Significant<br>unobservable<br>input<br>(Level 3)<br>RMB'000 |                                |
| Interest-bearing bank and<br>other borrowings | –   | 1,970,784  | –  | 1,970,784                      |
| Other payables and accruals<br>– non-current  | –   | 25,643   | –  | 25,643                         |
|   | –   | 1,996,427  | –  | 1,996,427                      |

## Notes to Financial Statements (Continued)

31 December 2020

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Foreign currency risk

The Group principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates. However, upon the initial listing of H shares, proceeds from the IPO are in HKD. Foreign exchange risk arises from cash and cash equivalents denominated in a currency other than the functional currency of the Group.

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

As at 31 December 2020, if HKD had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's post-tax profit would have been approximately RMB124,000 higher/lower which is because the cash and cash equivalents are denominated in HKD (2019: RMB157,000).

#### Credit risk

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

Toll income from toll road operations is 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 one month, the Company's management does not expect any loss from those receivables. Please refer to note 19 for details.

The Group trades only with recognised and creditworthy third parties for construction contracting. In addition, receivable balances are monitored on an ongoing basis.

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

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

## Notes to Financial Statements (Continued)

31 December 2020

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

##### *Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2020

|   | 12-month ECLs      | Lifetime ECLs      |                    |                                | Total<br>RMB'000 |
|---|--------------------|--------------------|--------------------|--------------------------------|------------------|
|   | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified approach<br>RMB'000 |                  |
| Trade and bills receivables*                                      | 365                | -                  | -                  | 84,806                         | 85,171           |
| Contract assets   | -                  | -                  | -                  | 3,358                          | 3,358            |
| Financial assets included in<br>prepayments and other receivables |                    |                    |                    |                                |                  |
| – Normal**  | 2,554              | -                  | -                  | -                              | 2,554            |
| Cash and cash equivalents   | 74,731             | -                  | -                  | -                              | 74,731           |
|   | <b>77,650</b>      | <b>-</b>           | <b>-</b>           | <b>88,164</b>                  | <b>165,814</b>   |

## Notes to Financial Statements (Continued)

31 December 2020

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

*Maximum exposure and year-end staging (continued)*

As at 31 December 2019

|   | 12-month<br>ECLs                 | Lifetime ECLs      |                    |   | Total<br>RMB'000<br>(Restated) |
|---|----------------------------------|--------------------|--------------------|---|--------------------------------|
|   | Stage 1<br>RMB'000<br>(Restated) | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified<br>approach<br>RMB'000<br>(Restated) |                                |
| Trade and bills receivables*                                      | 600                              | –                  | –                  | 24,790  | 25,390                         |
| Financial assets included in<br>prepayments and other receivables |                                  |                    |                    |   |                                |
| – Normal**  | 5,501                            | –                  | –                  | –   | 5,501                          |
| Cash and cash equivalents   | 1,397,177                        | –                  | –                  | –   | 1,397,177                      |
|   | 1,403,278                        | –                  | –                  | 24,790  | 1,428,068                      |

\* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the expected credit loss rate is disclosed in notes 19 and 21 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade and other receivables are disclosed in notes 19 and 20.

#### Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

## Notes to Financial Statements (Continued)

31 December 2020

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

|   | 2020   |                             |                            |                            |                            | Total<br>RMB'000 |
|---|--|-----------------------------|----------------------------|----------------------------|----------------------------|------------------|
|   | On demand<br>or no fixed<br>terms of<br>repayment<br>RMB'000 | Within<br>1 year<br>RMB'000 | 1 to 2<br>years<br>RMB'000 | 2 to 5<br>years<br>RMB'000 | Over<br>5 years<br>RMB'000 |                  |
| Interest-bearing bank and<br>other borrowings | -  | 667,380                     | 607,303                    | 1,540,454                  | 941,123                    | 3,756,260        |
| Trade payables                                | -  | 84,911                      | -                          | -                          | -                          | 84,911           |
| Other payables and accruals                   | -  | 42,220                      | 2,760                      | 8,280                      | 24,216                     | 77,476           |
| Lease liabilities                             | -  | 6,593                       | 6,392                      | 18,702                     | 89,728                     | 121,415          |
|   | -  | 801,104                     | 616,455                    | 1,567,436                  | 1,055,067                  | 4,040,062        |
|   | 2019 (Restated)  |                             |                            |                            |                            |                  |
|   | On demand<br>or no fixed<br>terms of<br>repayment<br>RMB'000 | Within<br>1 year<br>RMB'000 | 1 to 2<br>years<br>RMB'000 | 2 to 5<br>years<br>RMB'000 | Over<br>5 years<br>RMB'000 | Total<br>RMB'000 |
| Interest-bearing bank and<br>other borrowings | -  | 420,915                     | 440,072                    | 817,963                    | 659,047                    | 2,337,997        |
| Trade payables                                | -  | 148,365                     | -                          | -                          | -                          | 148,365          |
| Other payables and accruals                   | 570,611  | 58,299                      | 2,760                      | 8,280                      | 26,976                     | 666,926          |
|   | 570,611  | 627,579                     | 442,832                    | 826,243                    | 686,023                    | 3,153,288        |

## Notes to Financial Statements (Continued)

31 December 2020

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management

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

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

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

The gearing ratios as at the end of the reporting periods were as follows:

|  | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i><br>(Restated) |
|--|------------------------|--------------------------------------|
| Interest-bearing bank and other borrowings (note 26)     | <b>3,257,067</b>       | 1,971,374                            |
| Loans from the parent company included in other payables | –                      | 570,611                              |
| Less: cash and cash equivalents (note 23)                | <b>(74,731)</b>        | (1,397,177)                          |
| Net debt   | <b>3,182,336</b>       | 1,144,808                            |
| Total equity   | <b>2,898,820</b>       | 4,949,445                            |
| Total capital  | <b>6,081,156</b>       | 6,094,253                            |
| Gearing ratio  | <b>52.33%</b>          | 18.79%                               |

### 39. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events take place after the reporting period end.



## Notes to Financial Statements (Continued)

31 December 2020

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

|   | 2020<br>RMB'000  | 2019<br>RMB'000 |
|---|------------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                             |                  |                 |
| Property, plant and equipment                         | 324,773          | 133,763         |
| Investment properties                                 | 20,559           | 21,445          |
| Intangible assets                                     | 5,621,402        | 2,600,144       |
| Right-of-use assets                                   | 77,710           | –               |
| Investments in subsidiaries                           | 59,646           | 11,245          |
| <b>Total non-current assets</b>                       | <b>6,104,090</b> | 2,766,597       |
| <b>CURRENT ASSETS</b>                                 |                  |                 |
| Inventories   | 3,335            | 2,359           |
| Trade receivables                                     | 14,558           | 19,113          |
| Prepayments and other receivables                     | 3,452            | 12,282          |
| Financial assets at fair value through profit or loss | 452,568          | 200,000         |
| Cash and cash equivalents                             | 57,631           | 1,389,739       |
| <b>Total current assets</b>                           | <b>531,544</b>   | 1,623,493       |
| <b>CURRENT LIABILITIES</b>                            |                  |                 |
| Trade payables  | 32,924           | 25,273          |
| Other payables and accruals                           | 87,079           | 77,828          |
| Interest-bearing bank and other borrowings            | 534,355          | 175,000         |
| Lease liabilities                                     | 2,598            | –               |
| Tax payable   | 77,464           | 61,199          |
| Provisions  | 177,468          | 148,420         |
| <b>Total current liabilities</b>                      | <b>911,888</b>   | 487,720         |

## Notes to Financial Statements (Continued)

31 December 2020

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

|  | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| NET CURRENT (LIABILITIES)/ASSETS                   | <b>(380,344)</b>       | 1,135,773              |
| TOTAL ASSETS LESS CURRENT LIABILITIES              | <b>5,723,746</b>       | 3,902,370              |
| <b>NON-CURRENT LIABILITIES</b>                     |                        |                        |
| Interest-bearing bank and other borrowings         | <b>2,722,712</b>       | 70,000                 |
| Other payables                                     | <b>24,139</b>          | 25,643                 |
| Lease liabilities                                  | <b>75,769</b>          | –                      |
| Deferred tax liabilities                           | <b>10,019</b>          | 13,646                 |
| Total non-current liabilities                      | <b>2,832,639</b>       | 109,289                |
| <b>Net assets</b>                                  | <b>2,891,107</b>       | 3,793,081              |
| <b>EQUITY</b>                                      |                        |                        |
| <b>Equity attributable to owners of the parent</b> |                        |                        |
| Share capital                                      | <b>2,000,000</b>       | 2,000,000              |
| Capital reserves                                   | –                      | 887,209                |
| Other reserves                                     | <b>60,689</b>          | 182,525                |
| Retained earnings                                  | <b>830,418</b>         | 723,347                |
| <b>Total equity</b>                                | <b>2,891,107</b>       | 3,793,081              |

## Notes to Financial Statements (Continued)

31 December 2020

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

|   | Attributable to owners of the parent |                                |                              |                                 | Total<br>RMB'000   |
|---|--------------------------------------|--------------------------------|------------------------------|---------------------------------|--------------------|
|   | Share<br>capital<br>RMB'000          | Capital<br>reserves<br>RMB'000 | Other<br>reserves<br>RMB'000 | Retained<br>earnings<br>RMB'000 |                    |
| At 1 January 2019   | 2,000,000                            | 886,725                        | 130,802                      | 515,236                         | 3,532,763          |
| Profit for the year   | -                                    | -                              | -                            | 517,234                         | 517,234            |
| Total comprehensive income for the year                             | -                                    | -                              | -                            | 517,234                         | 517,234            |
| Reversal of share issue expenses                                    | -                                    | 484                            | -                            | -                               | 484                |
| Final 2018 dividend declared  | -                                    | -                              | -                            | (257,400)                       | (257,400)          |
| Transfer from retained earnings                                     | -                                    | -                              | 51,723                       | (51,723)                        | -                  |
| At 31 December 2019 and 1 January 2020                              | 2,000,000                            | 887,209                        | 182,525                      | 723,347                         | 3,793,081          |
| Profit for the year   | -                                    | -                              | -                            | <b>606,892</b>                  | <b>606,892</b>     |
| Total comprehensive income for the year                             | -                                    | -                              | -                            | <b>606,892</b>                  | <b>606,892</b>     |
| Deemed distributions for business combinations under common control | -                                    | <b>(887,209)</b>               | <b>(182,525)</b>             | <b>(113,132)</b>                | <b>(1,182,866)</b> |
| Final 2019 dividend declared  | -                                    | -                              | -                            | <b>(326,000)</b>                | <b>(326,000)</b>   |
| Transfer from retained earnings                                     | -                                    | -                              | <b>60,689</b>                | <b>(60,689)</b>                 | -                  |
| At 31 December 2020   | <b>2,000,000</b>                     | -                              | <b>60,689</b>                | <b>830,418</b>                  | <b>2,891,107</b>   |

### 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 26 March 2021.