

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
2021

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Definitions and Glossary of Technical Terms

“2021 AGM”	the 2021 annual general meeting of the Company to be convened and held on Tuesday, 28 June 2022 or the adjournment thereof
“2021 Final Dividend”	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.18 (tax inclusive) per Share
“Existing 2021-2023 General Services Framework Agreement”	the agreement dated 18 June 2021 and entered into between the Company and Shandong Hi-Speed Group for the provision of the general highway business operation services by Shandong Hi-Speed Group and its relevant subordinated entities to the Group 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
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“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
“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)

Definitions and Glossary of Technical Terms

“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
“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
“China Shipping”	China Shipping Group Company Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of COSCO SHIPPING
“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

Definitions and Glossary of Technical Terms

“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.
“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
“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

Definitions and Glossary of Technical Terms

“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
“Cornerstone Holdings”	Cornerstone Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of China Merchants Expressway, primarily engaged in asset management service.
“China Merchants Expressway”	China Merchants Expressway Network & Technology Holdings Company Limited, a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 001965.SZ)
“R&E Project”	Jihe Expressway reconstruction and expansion project
“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

Definitions and Glossary of Technical Terms

“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
“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
“Jihe Expressway 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
“Jihe Expressway 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

Definitions and Glossary of Technical Terms

“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
“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 2021
“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

Definitions and Glossary of Technical Terms

“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”	Shandong Hi-speed Company Limited (山東高速股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350. SH), directly holding approximately 38.93% of the total issued Shares of the Company as at the date of this report, is an existing controlling shareholder
“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, indirectly holding approximately 38.93% of the total issued Shares of the Company through its subsidiary Shandong Hi-Speed, is a current controlling shareholder
“Shandong Hi-Speed Group and its relevant subordinated entities”	Shandong Hi-Speed Group and its subsidiaries, branches and associates
“Shandong Hi-Speed Investment”	Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Shandong Hi-Speed Group
“Shandong Provincial Government”	People’s Government of Shandong Province, China (中國山東省人民政府)
“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 Shunguang Industrial”	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC, a wholly-owned subsidiary of the Company as at the date of this report
“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)

Definitions and Glossary of Technical Terms

“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 Jihe Expressway Property Lease Agreement, the Jihe Expressway 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
“2021 to 2023 Financial Services Framework Agreement”	the financial service framework agreement entered into between the Company and Weihai City Commercial Bank on 31 August 2021
“Weihai City Commercial Bank”	Weihai City Commercial Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (Stock Code: 9677)
“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
“Share Transfer Agreement”	the share transfer agreement entered into between Shandong Hi-Speed Group, as the transferor, and Shandong Hi-Speed as the transferee, pursuant to which, Shandong Hi-Speed acquired the 778,500,000 domestic shares of the Company directly held by Shandong Hi-Speed Group

Definitions and Glossary of Technical Terms

“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. Wang Zhenjiang

BOARD OF DIRECTORS

(1) Executive Directors

Mr. Wang Zhenjiang (*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. Du Zhongming
Mr. Shi Jinglei

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

(4) Strategy Committee

Mr. Wang Zhenjiang (*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. Zhang Yin
Mr. Wu Yongfu

(2) Employee Supervisors

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

(3) Independent Supervisors

Mr. Li Ruzhi
Mr. Meng Qinghui

Corporate Information

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo
Ms. So Shuk Yi Betty (*ACG, HKACG*)

AUTHORISED REPRESENTATIVES

Mr. Wang Zhenjiang
Ms. So Shuk Yi Betty (*ACG, HKACG*)

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)

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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

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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

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 Company for 2021. In 2021, the employees of all levels of the Company stayed true to their intention and assumed their undertakings by concentrating on developing business with a focus on implementation, and various tasks have achieved remarkable results.

I. MACROECONOMIC ENVIRONMENT AND SOCIAL DEVELOPMENT

In 2021, with China's remarkable achievements in coordinating economic development and the epidemic prevention and control, expressway operations maintained a recovery trend as a whole and achieved rapid growth over the same period. China has significant institutional advantages of socialism with Chinese characteristics and a solid material and technological foundation. China's economy transformation has accelerated relying on market advantages and domestic demand potential, huge human resources, and rich experience in macro-control, and the development trend of enterprises has been stable and positive for a long time. In 2021, China's total gross domestic product surpassed RMB114 trillion for the first time, representing a year-on-year growth of 8.1%, which meant a good start of the "14th Five-Year Plan". Shandong Province, the place where the Group's principal businesses are located, recorded a year-on-year gross regional product growth of 8.3%, reaching RMB8,309.59 billion. The provincial economy continued to improve amid stability.

II. REVIEW OF OUR OPERATIONS

The principal business was developing steadily. The year 2021 was the first year of the "14th Five-Year Plan", and a critical year for China's economy to return to the right track of development after the epidemic. Actively embracing the opportunities and challenges brought about by the "14th Five-Year Plan", the Company conscientiously implemented policies with a focus on major responsibility and principal business to stimulate the leading role of expressway operation as its principal business, overcame difficulties and constantly enhanced the construction, maintenance, operation and management of Jihe Expressway, Deshang Expressway (Liaocheng-Fan County section) and Shennan Expressway. The expressway operation business of the Company was conducted in an orderly manner throughout the year and developed steadily. During the year, the Company recorded net income of RMB1,995,309,000 and total profits of RMB1,141,820,000, a year-on-year increase of 18.10% and 38.02%, respectively. Please refer to the sub-sections headed "FINANCIAL REVIEW – Operations – Revenue" and "BUSINESS REVIEW – Expressway Business" under the "Management Discussion and Analysis" to this report for details.

Refined and Optimized Operation Management. In 2021, the Company adhered to goal achievement and problem solving with a focus on joint efforts to achieve key tasks such as toll operation, road maintenance, security and smoothness, changing work plans, innovating methods and paying close attention to implementation, so as to lead further the operation management. First, the Company strengthened toll management by insisting on avoiding leaks and income increase and conducting special inspections and level inspections to ensure road safety and smoothness while improving operational efficiency; second, it enhanced maintenance management by adhering to addressing problems from the source and improving maintenance level. It vigorously implemented precise maintenance, to enhance comprehensively the quality of maintenance management and create high-quality maintenance projects. Take system construction as the starting point, the Company strengthened quality control, standardized maintenance construction operations, improved emergency plan system, strengthened quality control throughout the process, and enhanced the ability to respond to natural disasters as well as early warning and handling capabilities; third, it strengthened safety management by adhering

Chairman's Statement

to risk prevention and control, and implementing a safety responsibility system; strengthened safety education and training, formulated safety training plans at different levels, categories and positions to improve the safety quality of all employees, and effectively prevent and constrain major accidents; fourth, it implemented epidemic prevention and control, fulfilled social responsibilities, and actively cooperated to make the transportation vehicles for epidemic prevention and emergency supplies pass for free, at first and in a fast manner, and established an accountability system for epidemic prevention and control to improve the implementation of prevention and control measures.

Critical projects were steadily promoted. In 2021, the Company always adhered to the strategic planning led by expressways as its principal business, accelerated the pace of business expansion, put more efforts in resources investment and allocation and steadily promoted the construction of projects to orderly and solidly advance the development of key engineering projects in Shangdong Province. During the Reporting Period, considering the overall situation, concentrating, planning scientifically, organizing carefully, coordinating and forging ahead, the Company promoted the completion of the preliminary work of the Jihe Expressway reconstruction and expansion project in a relatively short period of time, which reflected the Company's management advantages in the expressway industry and further enhanced its brand image.

Breakthroughs achieved in capital operation. In 2021, the Company proactively integrated into the new development pattern and attracted more social capital leveraging the capital market to support the development of expressway industry. Taking full use of the financial aggregation role of the Hong Kong Stock Exchange and Hong Kong's status as a financial center, the Company promoted the integration of finance capital and industrial capital through capital-enabled resources integration, constant capital operation optimization and in-depth reform of investment and financing system, which promoted the stable growth of market value. Leveraging its own advantages and relying on the financial capital market, the Company actively enhanced capital and financing management by broadening the financing channels for investment projects, promoting the orderly development of the Company's investment projects, and further optimizing the Company's asset allocation, which promoted the coordinated development of industry and capital.

Reform and development have opened up a chapter. In 2021, the Company has intensified its reform and innovation. With an aim to creating greater value and returns for shareholders, it seized the great opportunity to scale up as a better company with greater strength, and on top of achieving the integration of core expressway assets in the region with a focus on the industry chain and value chain of the principal business, it expanded into new sectors, developed new models and embarked on building a dual platform for industrial development and capital operation to add up business reserve for subsequent development, improve the core competitiveness of the Company and promote the high-quality and sustainable development of the Company.

III. OUTLOOK

In 2022, the global economy will gradually recover, the external environment will be complex and changeable, and under the triple pressure of demand contraction, supply shock and weakening expectations, there have been macroeconomic downward pressure. Relying on China's stable system and the continuous improvement of the market economic system, the long-term positive fundamentals in mainland will remain unchanged. In light of the new patterns and changes, Shandong Province has closely followed the superposition effect of major strategies and the new opportunities brought by the expansion of opening up, continued the amplification of policy integration and is preparing for break through the transformation of new and old kinetic energy, to

Chairman's Statement

accelerate the formation of innovative development advantages, effectively strengthen infrastructure support, and become more entrepreneurial. As the only overseas listing platform in the expressway sector in Shandong Province, the Company has many advantages in geography, environment and industry. In order to achieve higher quality development, the Company will further study the development goals, core tasks and key measures of the Company in 2022, and continuously enhance its profitability and core competitiveness. It will embrace challenges and opportunities to promote the high-quality development of the Company with practical actions.

Consolidating efficient development and implementing reform and innovation thoroughly. In 2022, the Company will firmly seize the opportunity of the reconstruction and expansion of Jihe Expressway, deepen and penetrate the industry chain, explore into the derivative business value chain, and accelerate the formation of a new development pattern led by the principal business and driven by the two aspects. Meanwhile, the Company will deepen the reform and innovation of organizational structure, assessment mechanism and profit model, optimize its organizational structure and management model, improve the overall decision-making quality and efficiency, and fully mobilize the enthusiasm of employees to enhance the Company's vitality and competitiveness, and continuously improve its operating efficiency and management capacity.

Promoting the construction of cultural system to increase the Company's competitiveness in an all-round way. In 2022, the Company will always uphold its cultural system building of Qilu Expressway, namely, taking patriotism and selflessness as its pursuit, new development philosophy as its cornerstone, capital management as its core, and innovation as its driving force. It will continuously apply the functions of cohesion, orientation, inspiration and transformation unleashed by its corporate culture of "Smart and Beauty of Qilu", and fully implement initiatives to build its corporate cultural system. Internally, it will further stimulate its employees' enthusiasm, creativity and coordination and rally their strength to enhance the Company cohesion; externally, it will continuously improve its good image to expand its exposure to the public, enhance the understanding and acknowledgement of investors and potential investors to the Company to increase their confidence of investment in the Company so as to help our market value grow stably. In 2022, the Company will continue to move on based on the actual conditions, highly integrate cultural management into corporate operation and management practice, unleash the guiding force and cohesion of its corporate culture to improve its soft power and sustainability.

Improving the comprehensive service level and understanding the actual needs of customers. In 2022, the Company will accelerate the construction of smart transportation and constantly control traffic congestion taking full use of digital and information-based channels, keep improving road emergency response measures and obstacle clearance and rescue system, research and formulate more efficient and practical congestion control methods to effectively improve customer travel experience. It will actively explore and extend the "high-speed +" business connotation to enhance the customer travel experience, enhance refined management and understand travel needs of customers through big data analysis, and explore the provision of information consulting, accessing by making an appointment and other personalized services, so as to effectively improve the quality of expressway operation services.

Consolidating security and epidemic prevention and control to support the sound development of the Company. In 2022, on one hand, the Company will tighten security management, fully implement the responsibility system of safe production to ensure the effective safe production, carry out investigation activities for highway safety production in a regular manner, and monitor and examine the work safety in time. Meanwhile, it will strengthen the construction of the supervisory team, optimize the management methods of safe production, achieve stable and orderly safe production, strong safety supervision in place; further refine the norms of safe

Chairman's Statement

production management, urge employees to firmly establish awareness of safe production, adhere to risk prevention and control, constantly strengthen the construction of emergency response systems, eliminate hidden accidents in a timely manner, maintain good traditions, as well as adhere to zero accidents and zero risks in safe production. On the other hand, it will build a solid epidemic protection barrier, grasp the details of epidemic prevention and control management, and unrelentingly strengthen epidemic prevention and control measures.

The year 2022 is the second year for China to implement the 14th Five-Year Plan and embark on a new journey of building a modern socialist China in an all-round way. It is an important year for implementing the 14th Five-Year Plan and accelerating the construction of a strong transportation country, and it is also an important year for the Company to accelerate its development. With its firm confidence, the Company will occupy opportunities, pioneer and innovate, work hard to build a smooth, safe, comfortable and wonderful Qilu Expressway, steadily promote the Company's sustainable, stable and harmonious development and work together to open a new chapter in the Company's development.

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 Company. Meanwhile, I would also like to extend my sincere appreciation to all employees of the Company for their hard work.

Qilu Expressway Company Limited

Wang Zhenjiang

Chairman

30 March 2022

Financial Highlights

	Change <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated) ⁽¹⁾	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Summary of consolidated statement of profit or loss and other comprehensive income						
Revenue	305,773	1,995,309	1,689,536	1,632,243	921,735	1,045,060
Gross profit	340,548	1,323,681	983,133	951,850	622,527	752,210
Profit before income tax	314,539	1,141,820	827,281	795,250	544,517	666,533
Profit and total comprehensive income attributable to owners of the Company	232,658	853,434	620,776	595,728	408,505	528,152
Basic/diluted earnings per share (<i>RMB</i>)	0.12	0.43	0.31	0.30	0.24	0.35
Summary of consolidated statement of financial position						
Cash and cash equivalents	512,746	587,477	74,731	1,397,177	1,006,860	415,835
Current liabilities	(76,167)	900,279	976,446	1,358,613	518,617	561,431
Total assets	(75,161)	6,632,886	6,708,047	7,990,673	4,353,266	3,637,886
Borrowings	(681,109)	2,575,958	3,257,067	2,541,985	510,000	825,000
Gearing ratio (%)	-15.37%	36.96%	52.33%	18.79%	N/A	14.18%
Net assets per Share (<i>RMB</i>)	0.25	1.70	1.45	2.47	1.77	1.65
Return on net assets	3.75%	25.16%	21.41%	12.04%	11.57%	21.43%
Summary of consolidated statement of cash flows						
Net cash flows from operating activities	208,747	1,346,890	1,138,143	1,370,233	667,836	675,640
Net cash flows from investing activities	3,071,002	336,473	(2,734,529)	(181,944)	(411,663)	188,480
Net cash flows from financing activities	(1,441,686)	(1,170,262)	271,424	(800,720)	319,553	(815,834)
Net increase (decrease) in cash and cash equivalents	1,838,063	513,101	(1,324,962)	387,569	575,726	48,286

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 two years ended 31 December 2018.

Management Discussion and Analysis

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 and the sales of industrial products. During the Reporting Period, our revenue comprised primarily the toll income collected from users of the above expressways.

Upon completion of the acquisition of Shandong Gangtong Construction, the Group has 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 RMB1,995,309,000, representing an increase of approximately 18.10% compared with that of approximately RMB1,689,536,000 of last year. Such revenue from operations included the revenue from the Expressway Business which amounted to approximately RMB1,772,904,000, representing a year-on-year increase by approximately RMB231,863,000 (or approximately 15.05%). During the Reporting Period, toll income from the Jihe Expressway was approximately RMB1,247,118,000, representing an increase of approximately 18.78% compared with that of approximately RMB1,049,899,000 of last year. Our toll income from the Deshang and the Shennan Expressways was approximately RMB525,786,000 representing an increase of approximately 7.05% from that of approximately RMB491,142,000 of last year. The overall toll income we recorded increased significantly, primarily due to the waiver of toll fees pursuant to the notice of the relevant PRC competent transportation authority during the prevention and control of Covid-19 pandemic in 2020 from 0:00 on 17 February 2020 to 0:00 6 May 2020, resulting in the decrease of toll income. With the pandemic being effectively contained, the toll income resumed back to normal in 2021, representing an increase as compared with 2020.

During the Reporting Period, we recorded a revenue from construction business of approximately RMB180,516,000, representing an increase of approximately 26.53% from that of approximately RMB142,665,000 of last year, which was mainly attributable to the revenue of engineering services from Shandong Gangtong of RMB135,947,000. For details, please refer to the sub-section headed “Business Review – Construction Business” under this section.

In addition, during the Reporting Period, we recorded the revenue from the sales of industrial products of approximately RMB34,878,000, which is mainly the income from trading business of Shandong Shunguang Industrial. We recorded an income from other service business of approximately RMB2,234,000, representing an increase of approximately 16.35% as compared to approximately RMB1,920,000 of last year, mainly attributable to the service income generated from road clearance services for traffic accidents.

Management Discussion and Analysis

During the Reporting Period, we recorded a rental income of approximately RMB4,777,000, representing an increase of approximately 22.17% from that of RMB3,910,000 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 RMB3,206,000 (representing an increase of approximately 8.97% from that of approximately RMB2,942,000 of last year), and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties of approximately RMB1,571,000 (representing an increase of approximately 62.29% from that of RMB968,000 of last year). Such increase in rental income was primarily attributable to the increase in the Company's leasing business during the reporting period, which increased lease income.

Cost of Sales and Gross Profit

During the Reporting Period, our cost of sales and gross profit were approximately RMB671,628,000 and RMB1,323,681,000 respectively, as compared to those of approximately RMB706,403,000 and RMB983,133,000 of last year, representing a decrease of approximately 4.92% and increase of approximately 34.64% on a year-on-year basis respectively. Gross profit margin of the Group was approximately 66% for the Reporting Period, representing a year-on-year increase of approximately 8% as compared with approximately 58% 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 RMB20,569,000, representing a decrease of approximately 57.81% from that of approximately RMB48,753,000 of the previous year, which was mainly due to the decrease in the receipt of government grants and the bank interest income as compared with the previous year.

Administrative Expenses

During the Reporting Period, administrative expenses from our operations were approximately RMB69,360,000, representing a decrease of approximately 6.93% as compared to approximately RMB74,521,000 of last year. Such decrease in administrative expenses was mainly attributable to the surveying and mapping fees, asset valuation fees, audit fees, financial adviser's fees, attorney's fee and printing fees incurred from the acquisition of Deshang and Shennan Expressway and there was no such expenses incurred during the reporting period. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, transportation expenses and professional fees.

Impairment Losses on Contract Assets

During the reporting period, the impairment losses on contract assets was approximately RMB1,720,000, representing an increase of approximately 1769.57% from RMB92,000 in the previous year, mainly attributable to the increase in the expected credit losses on contract assets.

Management Discussion and Analysis

Other Expenses

During the Reporting Period, other expenses were approximately RMB4,306,000, representing a decrease of approximately 72.48% as compared to approximately RMB15,647,000 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 RMB127,408,000, representing an increase of approximately 10.94% as compared to approximately RMB114,844,000 of last year. During the Reporting Period, we were required to pay the interest expense arising from the increase in the bank loans due to the acquisition of Deshang and Shennan Expressways, resulting 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 RMB364,000 (corresponding period of 2020: RMB499,000), 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 held by Shandong Gangtong Construction.

Profit for the Year

During the Reporting Period, profit attributable to owners of the parent was approximately RMB853,434,000, representing an increase of approximately 37.48% as compared to that of approximately RMB620,776,000 of last year. The increase in profit for the year was primarily attributable to the lower base in 2020 due to sharp drop in toll revenue as a result of the COVID-19 epidemic. 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.

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 2021, the Group had total loans of approximately RMB2,575,958,000 (31 December 2020: RMB3,257,067,000) which borne floating rate and were denominated in RMB, and total cash and cash equivalents (including bank deposits and cash) of approximately RMB587,477,000 (31 December 2020: RMB74,731,000).

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 2021, the Group's gearing ratio, as calculated by dividing net debt⁽¹⁾ by total capital⁽²⁾, was approximately 36.96% (2020: 52.33%).

Notes:

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

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

Management Discussion and Analysis

Pledge of Assets and Contingent Liabilities

As at 31 December 2021, 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 2021, the net carrying amount of the toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was RMB2,225,078,000. Save as mentioned above, as at 31 December 2021, the Group had no material contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 31 December 2021, the Group had a total of 686 (as at 31 December 2020: 687) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB159,482,000 (approximately RMB131,304,000 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 income, subject to certain ceiling. 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 2021, 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

There were no significant investments, material acquisitions or disposal of subsidiaries, associated companies and joint ventures by the Company during the Reporting Period.

Management Discussion and Analysis

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB1,995,309,000, representing a year-on-year increase of approximately 18.10%. The Expressway Business remained as the Group's principal business, from which we realised a toll income of approximately RMB1,772,904,000, representing a year-on-year increase of approximately 15.05%; revenue from construction, sales of industrial products, rental income and other services businesses was approximately RMB222,405,000, representing a year-on-year increase of approximately 49.77%. During the Reporting Period, the Group achieved a profit before tax of approximately RMB1,141,820,000, representing a year-on-year increase of approximately 38.02%. Profit for the year was approximately RMB853,434,000 (corresponding period of last year: RMB620,776,000), generating earnings per share of approximately RMB0.43 (corresponding period of last year: RMB0.31).

Expressway Business

In 2021, the Company further strengthened the operational management of the expressway projects in operation. The traffic volume on the Jihe Expressway increased by 37.40% from approximately 56,700 vehicles per day for the year ended 31 December 2020 to approximately 77,900 vehicles per day during the Reporting Period and the total toll income increased by 18.78% to approximately RMB1,247,118,000 during the Reporting Period. The Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 55,285 and 9,937 vehicles, respectively, per day during the Reporting Period. The Deshang and Shennan Expressways recorded a toll income of RMB525,786,000 during the Reporting Period, representing an increase by 7.05% from that of RMB491,142,000 in 2020. Jihe Expressway, Deshang Expressway and Shennan Expressways connect areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Demand for passenger and freight transportation in the surrounding areas drove the increase in the traffic volume of the Jihe Expressway, Deshang and Shennan Expressways during the Reporting Period.

Management Discussion and Analysis

Details of the traffic volume⁽¹⁾ of the above expressways are set out below:

Expressways managed by the Group during the Reporting Period	Total annual volume of passenger vehicle traffic ('000)	Total annual volume of truck and special motor vehicle traffic ('000)	Total annual traffic volume ('000)	Daily average traffic volume⁽²⁾
The Jihe Expressway	19,077.20	9,365.76	28,442.96	77,925.92
The Deshang Expressway (Liaocheng – Fan County section)	11,315.27	8,863.75	20,179.03	55,285.01
The Shennan Expressway	1,913.15	1,713.82	3,626.97	9,936.90

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) 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, Gaodong Expressway (高東高速) was commissioned in December 2020, the traffic flows of the Jihe Expressway and the Deshang and Shennan Expressways were diverted to a certain extent.
- (2) The Jinan-Taian section of the Beijing-Taiwan Expressway (from the Taishan Stack Interchange to the Yinjialin Stack Interchange) will resume traffic to Beijing in the form of single-lane restriction. On 18 November 2021, Beijing-Taiwan Jinan direction opened, which has adverse impact on the traffic flow and tolls of Jihe Expressway.
- (3) The waiver of toll fees pursuant to the notice of the relevant PRC competent transportation authority during the prevention and control of Covid-19 pandemic in 2020 from 0:00 on 17 February 2020 to 0:00 6 May 2020 resulted in the decrease of toll fees. With the pandemic being effectively contained, the tolls income resumed back to normal in 2021, representing an increase as compared with 2020.

Toll Collection Policy

Effective from 8 January 2021, the toll rates of the Jihe Expressways and the Deshang and Shennan Expressways are subject to the Notice of Shandong Provincial Department of Communications, Shandong Provincial Development and Reform Commission and Shandong Provincial Department of Finance on Matters Related to Expressway Tolls (Lu Jiao Cai [2021] No.3) (《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高速公路通行費有關事項的通知》(魯交財[2021]3號)). The 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)).

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) 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

Management Discussion and Analysis

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; and pursuant to the Notice of Shandong Provincial Department of Communications, Shandong Provincial Development and Reform Commission and Shandong Provincial Department of Finance on Extending the Period of Toll Discounts for Some Trucks on Expressway 《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延長對部分貨車實行高速公路通行費折扣優惠期限的通知》, the policy will be extended to 31 December 2021; (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 of approximately RMB3,206,000. 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.

Construction Business

Shandong Gangtong Construction

During the reporting period, Shandong Gangtong Construction recorded engineering service revenue of approximately RMB135,947,000, which was mainly revenue from highway engineering construction, expressway maintenance and municipal greening engineering services.

Shandong Gangtong Construction endeavoured in organisation and coordination of construction work, strengthened personnel and equipment management, scientifically formulated work procedures and safety protection measures, strictly abided by safe and civilized construction, strengthened on-site inspection, ensured operation safety, and solidly promoted the orderly advancement of various projects. Shandong Gangtong Construction combined the completed Rose Road south extension and the emergency roads for the prevention of floods from the Yellow River vigorously strives for the greening construction projects, committed to expanding the municipal greening market, and successfully completed the landscape projects of the road sections from Hushankou to Beishixia in Pingyin County, Jinan Municipal and the construction of demonstration area in front of the two greening sidewalks of the Yellow River greenway.

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.

Sale of Industrial Products

During the reporting period, the revenue of Shandong Shunguang Industrial from the sale of industrial products was RMB 34,878,000, which was mainly the income from trading business.

Management Discussion and Analysis

R&E Project on Jihe Expressway

The R&E project on Jihe Expressway starts from the Yinjialin Hub Interchange of the Jiguang Expressway and ends at the Wangguantun Hub Interchange where Jiguang Expressway and Rilan Expressway intersect, with an estimated total investment of RMB18.6 billion and total length of 152.7 kilometers. It will be expanded from the two-way four-lane to two-way eight-lane which has a designed speed of 120km/h and a planned construction period of 30 months. It is an important part of the expressway network of “nine verticals, five horizontals, one circle, seven radiations and multiple connections (九縱五橫一環七射多連)” in Shandong province, an important channel connecting the provincial capital economic circle and the Lunan economic circle, and also an important passage out of Shandong province.

The project has been prepared since May 2021 when the Company promptly established the Jihe Expressway Reconstruction and Expansion Project Office, carefully organized, scientifically planned, and fully promoted the project, and completed 15 key efforts including the pre-examination of land use, planning and site selection, cultural relics and archaeology, social stability risk assessment, project approval, and preliminary design in only 7 months. On 30 December 2021, the Company released the results of the project construction bid evaluation, successfully held the project construction start-up activity, successfully completed the goal of starting the reconstruction and expansion project of the Jinan-Heze section of the Jihe Expressway in 2021. For further details of the R&E Project on Jihe Expressway, please refer to the announcements dated 3 May 2021 and 30 September 2021 and the circular dated 15 November 2021 of the Company.

PROSPECTS

During the “14th Five-Year Plan” and the beginning of the new journey of building a modern socialist China in an all-round way, the Company has closely followed the changes by always adhering to the general work principle of seeking progress while maintaining stability, and achieved good development. In 2022, the Company will achieve new breakthroughs, show new achievements and attain new development. The Company will insist on consolidating and expanding the principal Expressway Business by focusing on high-quality expressway assets, committing to promote key highway projects, strengthening the advantages of the principal business, and enhancing the Company’s operating income. The company will actively focus on the main business industry chain and value chain, expand into new markets, cultivate new models, continuously optimizes the industrial layout, cultivate new profit growth drivers, strengthen the main business and industry. The company will prepare well in expressway operation and management, strengthen road safety and service quality, conduct maintenance operations meticulously and accurately, deal with and eliminate hidden dangers in a timely manner, and improve road safety assurance and road traffic efficiency. It will continue to promote the construction of intelligent highways, optimize information management systems, strengthen digital and information-based means, and improve road traffic efficiency. Relying on the platform of the Stock Exchange, the Company will make full use of Hong Kong’s status as an international financial center, consolidate the industry-leading development foundation of expressway operators, continuously optimize capital operations, and build a new development pattern around its corporate positioning and strategic goals to drive upgrades and continuously create more value and returns for shareholders and investors.

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 announcement.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2021.

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. Wang Zhenjiang 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 2021, the Board was comprised of fifteen Directors, including three executive Directors, namely Mr. Wang Zhenjiang (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. Tang Haolai (resigned as a non-executive Director on 20 January 2022) and Mr. Du Zhongming; 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:

Name	Attending or participating in seminars/reading materials relevant to the director's responsibilities
Executive Directors	
Mr. Wang Zhenjiang (<i>Chairman of the Board</i>)	✓
Mr. Li Gang (<i>Resigned as an executive Director and the Chairman of the Board on 22 June 2021</i>)	✓
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. Yuan Ruizheng (<i>Resigned as a non-executive Director on 29 January 2021</i>)	✓
Mr. Du Zhongming	✓
Mr. Tang Haolai (<i>Resigned as a non-executive Director on 20 January 2022</i>)	✓
Independent Non-executive Directors	
Mr. Cheng Xuezhao	✓
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 14 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
Executive Directors			
– Mr. Wang Zhenjiang (<i>Chairman of the Board</i>) (<i>Appointed as an executive Director and Chairman of the Board on 9 August 2021</i>)	6/6	0	100%
– Mr. Li Gang (<i>Resigned as an executive Director and the Chairman of the Board on 22 June 2021</i>)	6/6	0	100%
– Mr. Peng Hui	14/14	0	100%
– Mr. Liu Qiang	14/14	0	100%

Corporate Governance Report

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
Non-Executive Directors			
– Mr. Chen Dalong	14/14	0	100%
– Mr. Wang Shaochen	14/14	0	100%
– Mr. Zhou Cenyu	14/14	0	100%
– Mr. Su Xiaodong	14/14	0	100%
– Ms. Kong Xia	14/14	0	100%
– Mr. Yuan Ruizheng (<i>Resigned as a non-executive Director on 29 January 2021</i>)	1/14	0	100%
– Mr. Du Zhongming (<i>Appointed as a non-executive Director on 26 March 2021</i>)	13/13	0	100%
– Mr. Tang Haolai (<i>Resigned as a non-executive Director on 20 January 2022</i>)	14/14	0	100%
Independent Non-Executive Directors			
– Mr. Cheng Xuezhao	14/14	0	100%
– Mr. Li Hua	14/14	0	100%
– Mr. Wang Lingfang	14/14	0	100%
– Mr. He Jiale	14/14	0	100%
– Mr. Han Ping	14/14	0	100%

Corporate Governance Report

During the Year, the Company held 4 general meetings. The attendance record of the Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Attendance rate
Executive Directors		
– Mr. Wang Zhenjiang (<i>Chairman of the Board</i>) (<i>Appointed as an executive Director and Chairman of the Board on 9 August 2021</i>)	1/1	100%
– Mr. Li Gang (<i>Resigned as an executive Director and the Chairman of the Board on 22 June 2021</i>)	2/2	100%
– Mr. Peng Hui	4/4	100%
– Mr. Liu Qiang	4/4	100%
Non-Executive Directors		
– Mr. Chen Dalong	4/4	100%
– Mr. Wang Shaochen	4/4	100%
– Mr. Zhou Cenyu	4/4	100%
– Mr. Su Xiaodong	4/4	100%
– Ms. Kong Xia	4/4	100%
– Mr. Yuan Ruizheng (<i>Resigned as a non-executive Director on 29 January 2021</i>)	0/0	–
– Mr. Du Zhongming (<i>Appointed as a non-executive Director on 26 March 2021</i>)	4/4	100%
– Mr. Tang Haolai (<i>Resigned as a non-executive Director on 20 January 2022</i>)	4/4	100%
Independent Non-Executive Directors		
– Mr. Cheng Xuezhao	4/4	100%
– Mr. Li Hua	4/4	100%
– Mr. Wang Lingfang	4/4	100%
– Mr. He Jiale	4/4	100%
– Mr. Han Ping	4/4	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 during Director's term of office			
	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Executive Directors				
– Mr. Wang Zhenjiang (<i>Chairman of the Board</i>) (<i>Appointed as the Chairman of the Nomination Committee and the Strategy Committee on 9 August 2021</i>)	–	–	1/1	–
– Mr. Li Gang (<i>Resigned as the Chairman of the Nomination Committee and the Strategy Committee of the Company on 22 June 2021</i>)	–	–	2/2	1/1
– Mr. Peng Hui	–	–	–	1/1
– Mr. Liu Qiang	–	–	–	1/1
Non-Executive Directors				
– Mr. Wang Shaochen	5/5	–	–	1/1
Independent Non-Executive Directors				
– Mr. Cheng Xuezhao	–	4/4	4/4	–
– Mr. Li Hua	5/5	4/4	4/4	1/1
– Mr. Wang Lingfang	–	4/4	4/4	–
– Mr. He Jiale	5/5	–	–	–

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 5 meetings to, among other things, review the financial results of the Group for the year ended 31 December 2020 and the financial results of the Group for the six months ended 30 June 2021 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; formulating the procedures for remuneration policy shall be normal and open; (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 4 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 2021 are set out below:

No. (Notes)	Remuneration band (RMB)	Number of persons
1	0 – 500,000	23
2	500,001 – 1,000,000	8

Notes:

No.1 includes 13 Directors, 7 Supervisors and 3 members of the senior management;

No.2 includes 3 Directors, 1 Supervisor and 4 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 9 and 10 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. Wang Zhenjiang, 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. Wang Zhenjiang, 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 above personnel, 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 4 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. Wang Zhenjiang, being the chairman of the Board, Mr. Peng Hui, being the president, Mr. Liu Qiang, Mr. Wang Shaochen and Mr. Li Hua. Mr. Wang Zhenjiang, 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 2021.

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 five 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 2021, the Group's current liabilities exceeded its current assets by RMB72,129,000, primarily due to the expenditure incurred on the acquisition of the Deshang and Shennan Expressways. As at 31 December 2021, the total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of the Deshang and Shennan Expressways amounted to RMB352,148,000.

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, Shandong Hi-Speed, COSCO SHIPPING, China Shipping and COSCO SHIPPING (Hong Kong). On 10 November 2021, Shandong Hi-Speed Group entered into a share transfer agreement with Shandong Hi-Speed, pursuant to which, Shandong Hi-Speed acquired 778,500,000 domestic shares of the Company directly held by Shandong Hi-Speed Group. Upon the share acquisition, the direct controlling shareholder was changed from Shandong Hi-Speed Group to Shandong Hi-Speed, while Shandong SASAC remained to be the ultimate controller. The share acquisition has been completed on 23 December 2021, and since then, Shandong Hi-Speed became one of the Company's direct controlling shareholders in replace of Shandong Hi-Speed Group.

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.

Particulars of the shareholding of substantial shareholders during the Year and Non-competition Agreement and commitments of controlling shareholders 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 1 annual general meeting and 3 extraordinary general meetings. 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 2021, the Supervisory Committee comprises eight members, including three employee representative Supervisors (namely Mr. Wang Shun, Mr. Hao Dehong and Ms. Hou Qinghong), three shareholder representative Supervisors (namely Ms. Meng Xin, the chairman of the Supervisory Committee, Mr. Zhang Yin and Mr. Wu Yongfu) 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 2021.

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:

Service provided	Fee paid or payable
	RMB' 000
Audit fee	1,160
Non-audit fee	
– Interim review	420

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 amendments to the Articles of Association. For further information on amendments to the Articles of Association, please refer to the announcement dated 29 January 2021, the circular dated 5 February 2021 and the announcement dated 26 March 2021 of the Company.

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. Wang Zhenjiang, aged 45, is currently the chairman of the Board, an executive Director, legal representative and the secretary of the party committee of the Company.

Mr. Wang has extensive work experience in accounting, banking and investment and has successively served in a number of managerial positions in Weihai City Commercial Bank (a company listed on the Stock Exchange, stock code: 09677) and he served as an executive director and the vice president of China Shandong Hi-Speed Financial Group Limited (a company listed on the Stock Exchange, stock code: 00412). From June 2015 to October 2016 and from March 2018 to November 2019, he served as the deputy director of the investment development division (department of property rights management) and the administrative director of Shandong Hi-Speed Group Company Limited, and a director, the general manager, chairman of the board of directors, legal representative and the secretary of the party committee of Shandong Hi-Speed Road and Bridge Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000498.SZ) from April 2019 to June 2021. He serves as the secretary of the party committee of the Company since June 2021. And he serves as the chairman of the Board and an executive Director of the Company since August 2021.

Mr. Wang holds a Master's degree in business administration from Shandong University of Finance and Economics (formerly known as the Shandong University of Finance) and is a certified public accountant in China.

Mr. Peng Hui (彭暉), aged 57, 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.

Profiles of Directors, Supervisors and Senior Management

Mr. Liu Qiang (劉強), aged 53, 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 head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway 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 an executive Director, the deputy general manager and a member of the party committee of the Company since November 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, from 19 March 2020 to December 2021, and concurrently served as the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of Qilu Expressway Company Limited since August 2021.

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).

Profiles of Directors, Supervisors and Senior Management

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 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 60, 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.SZ).

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.SZ) 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, 上海海事大學) 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 56, is currently a non-executive Director of the Company. Mr. Wang concurrently serves as a director of the human resources sharing services centre (Jinan branch) of China Energy Guoyuan Power Co., Ltd. (國家能源集團國源電力有限公司).

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 Guoneng Power Technology & Engineering Co., Ltd. (國能電力技術工程有限公司) from February 2013 to April 2021, and has been a director of the human resources sharing services centre (Jinan branch) of China Energy Guoyuan Power Co., Ltd., since May 2015. Mr. Wang has served as a non-executive Director of the Company since 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 50, 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) and the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd.

Mr. Zhou served as a cadre of Jiezhuang Town, Rengcheng 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. He has served as the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. since November 2021. 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 57, 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 (香港中遠海運有限公司) 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 51, is currently a non-executive Director of the Company. She concurrently serves as the deputy head of the organisation department of the party committee (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. From August 2020 to June 2021, she has served as the secretary of the party committee of the head office of Shandong Hi-Speed Group. She has served as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group since June 2021. 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. Du Zhongming (杜中明), aged 39, 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.

Profiles of Directors, Supervisors and Senior Management

Mr. Shi Jinglei, aged 55, is currently a non-executive Director of the Company. He concurrently serves as an deputy manager of the Board's office of China Merchants Expressway Network & Technology Holdings Co., Ltd..

Mr. Shi has extensive experience in management and securities affairs. He concurrently served as a member of the securities department and securities affairs representative of Beijing Hua'er Company Limited (北京化二股份有限公司) during January 1998 to January 2008; a clerk of the secretary office of the board, deputy head, head and securities affairs representative of Huabei Expressway Company Limited from January 2008 to July 2018; and the vice general manager of the board office of China Merchants Expressway Network & Technology Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 001965.SZ) since July 2018. He has served as the non-executive Director of the Company since March 2022.

Mr. Shi holds a bachelor's degree of polymer materials from College of Biochemical Engineering of Beijing Union University.

(3) Independent Non-Executive Directors

Mr. Cheng Xuezhao (程學展), aged 54, is currently an independent non-executive Director of the Company. He concurrently serves as an deputy 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).

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 deputy 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 January 2022. He has also worked as a director of Hualu International Financial Leasing Co., Ltd. since November 2013. 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.

Profiles of Directors, Supervisors and Senior Management

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.

Mr. Li Hua (李華), aged 68, 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.

Profiles of Directors, Supervisors and Senior Management

Mr. Wang Lingfang (王令方), aged 65, 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 Guoneng Power Technology & Engineering Co., Ltd. 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 an 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.

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.

Profiles of Directors, Supervisors and Senior Management

Mr. He Jiale (何家樂), aged 67, 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.SZ) 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.SZ) 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 52, 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 50, 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.

Profiles of Directors, Supervisors and Senior Management

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.

(2) Shareholder Representative Supervisor

Mr. Zhang Yin (張引), aged 47, 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

Mr. Wu Yongfu (吳永福), aged 52, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the head of the Finance and Ownership Department of Guoneng Power Technology & Engineering Co., Ltd..

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 director of Finance and Property Right Management Department of Guoneng Power Technology & Engineering Co., Ltd. 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.

(3) Employee Supervisor

Mr. Wang Shun (王順), aged 51, is currently an employee Supervisor, vice chairman of labor union of the Company and the director of Liaocheng Deshen Operation and Management Centre (聊城德莘運管中心).

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. He obtained a certificate of senior economist in January 2019.

Profiles of Directors, Supervisors and Senior Management

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 an accountant and the deputy head of the finance division of the first branch of Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司) from August 1989 to February 1998, the manager of the financial department of project department of the Second Nanjing Bridge of Shandong Luqiao Group Co., Ltd. from March 1998 to July 2000 and the head of finance department of the ninth branch of Shandong Luqiao Group Co., Ltd. from August 2000 to May 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 50, 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.

(4) Independent Supervisors

Mr. Li Ruzhi (黎汝志), aged 58, 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.

Mr. Meng Qinghui (孟慶惠), aged 66, 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.

Profiles of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Peng Hui (彭暉), aged 57, 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 53, 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. For further details of the profile of Mr. Liu, please refer to the sub-section headed “Directors” in this section.

Mr. Chen Xiulin (陳修林), aged 49, 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 55, 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 Guoneng Power Technology & Engineering Co., Ltd. from January 2013 to July 2013 and the deputy chief engineer of Guoneng Power Technology & Engineering Co., Ltd. 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 44, 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 44, 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

Mr. Gao Pu (高璞先生), aged 50, is currently the chief financial officer of the Company and a member of the party committee.

Mr. Gao holds a bachelor's degree in finance management from Changsha University of Science and Technology, and he is a senior accountant and a senior economist in the PRC. Mr. Gao served as the manager of the financial department of Laizhou City Beilai Highway Investment Co., Ltd. (萊州市北萊公路投資有限公司), the manager of the financial management department of Shandong Highway & Bridge Construction Co., Ltd. (山東省公路橋樑建設有限公司). From April 2017 to February 2020, he was the manager of the finance department, a member of the party committee and the chief accountant of Shandong Luqiao Construction Co., Ltd. (山東魯橋建設有限公司). From February 2020 to November 2021, he served as the head and director of the financial management department of the Shandong Hi-Speed Road & Bridge Group Co., Ltd. (山東高速路橋集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000498.SZ). He has been the chief financial officer of the Company since 16 December 2021.

Mr. Zhao Guangmin (趙廣民先生), aged 52, is the security director of the Company.

Mr. Zhao served as the director of Dongping management centre of Qilu Expressway Company Limited from November 2007 to June 2017, the director of Changqing management centre Qilu Expressway Company Limited from June 2017 to March 2020 and a director and general manager of Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), from March 2020 to December 2021.

Mr. Zhao holds a bachelor's degree in transportation engineering from Changsha University of Science and Technology, the Certificate of Registration of Constructor awarded by the Ministry of Housing and Urban-Rural Development of the PRC, and a senior engineer qualification awarded by the Shandong Provincial Department of Human Resources and Social Security.

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo (連勝國), aged 44, 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 24:00 on 31 December 2019 to 15 November 2040, and in respect of the Shennan Expressway, from 24:00 on 31 December 2019 to 27 September 2043. The Group principally carried out business in Shandong Province, the PRC.

FINANCIAL POSITION AND RESULTS

During the Year, the revenue from our operations was approximately RMB1,995,309,000, representing an increase of approximately 18.10% as compared to approximately RMB1,689,536,000 for the corresponding period of last year. The cost and gross profit from our operations were approximately RMB671,628,000 and RMB1,323,681,000, respectively, as compared to those of approximately RMB706,403,000 and RMB983,133,000 for the corresponding period of last year, representing a decrease of approximately 4.92% and increase of approximately 34.64% as compared to that of corresponding period of last year, respectively. Net profit from operations amounted to RMB853,434,000, representing an increase of RMB232,658,000 or 37.48% as compared to that of 2020 (RMB620,776,000).

The Group's earnings per Share from operations for the Year was RMB0.43, representing an increase of 38.71% as compared to that of 2020 (RMB0.31).

Report of the Board of Directors

CLOSURES OF REGISTER OF MEMBERS

2021 AGM

The 2021 AGM is scheduled to be held on Tuesday, 28 June 2022. For the purpose of determining our Shareholders' entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Saturday, 28 May 2022 to Tuesday, 28 June 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2021 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 Friday, 27 May 2022.

Proposed Distribution of 2021 Final Dividend

The Board proposes a payment of a cash dividend of RMB0.18 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB360,000,000 (tax inclusive) as the 2021 Final Dividend for the year ended 31 December 2021. The proposal for such dividend payment is subject to consideration and approval by Shareholders at the 2021 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, 11 July 2022. 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 2021 AGM (i.e., Tuesday, 28 June 2022) as announced by the People's Bank of China. The share register of the Company will be closed from Wednesday, 6 July 2022 to Monday, 11 July 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2021 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, 5 July 2022.

The Board has scheduled to distribute the 2021 Final Dividend on Wednesday, 31 August 2022. 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, 5 July 2022, 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 14 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 2021, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB1,245,056,000.

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 13.17% of its cost of sales, and the purchases made by the Group from the largest supplier of non-capital goods accounted for 2.41% 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 RMB44,413,000, and the purchases made by the Group from the largest supplier of equipment and construction services amounted to RMB25,837,000.

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 2021.

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 2021, 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 2021, 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 2021, the Company had four subsidiaries and one associate, particulars of which are set out in Notes 1 and 18 to the consolidated financial statements in this annual report.

DONATIONS

The charitable and other donations of the Group during the Year amounted to approximately RMB11,000.

RESTORATION OF PUBLIC FLOAT

On 20 November 2020, the Company failed to satisfy the minimum public float requirement of 25% as prescribed under Rules 8.08(1)(a) and (b) of the Listing Rules of the Stock Exchange 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.

On 3 November 2021, Shandong Hi-Speed Investment and Cornerstone Holdings has entered into a share purchase agreement in respect of the disposal of 103,750,000 issued H Shares of the Company, which are beneficially owned by Shandong Hi-Speed Investment, representing 5.19% of the issued share capital of the Company, to Cornerstone Holdings on 3 November 2021. Immediately upon the completion of the transfer, 500,000,000 Shares were held by the public, accounting for 25% of the Company's issued share capital. Accordingly, the Company has satisfied the Minimum Public Float Requirement pursuant to Rule 8.08 of the Listing Rules.

For further details of restoration of public float, please refer to the sub-section under "Report of the Board of Directors – PUBLIC FLOAT" of this report.

SHARE ACQUISITION AT SHAREHOLDERS LEVEL

(1) Share Transfer Agreement

On 13 May 2021, the Company received a notification from Shandong Hi-Speed Group stating that in order to duly tackle the issue of certain peer-competition among Shandong Hi-Speed Group, Shandong Hi-Speed and the Company as a result of the Joint Restructuring and to make full use of the operational and capital synergies of Shandong Hi-Speed Group in flyover assets business field upon the Joint Restructuring, Shandong Hi-Speed Group plans to inject its equity interests directly held in the Company into Shandong Hi-Speed and re-define the border of non-competing businesses among Shandong Hi-Speed Group, Shandong Hi-Speed and the Company. Pursuant to this plan, Shandong Hi-Speed intends to acquire the 778,500,000 Domestic Shares held directly by Shandong Hi-Speed Group in the Company. Upon the Share Acquisition, the direct Controlling Shareholder of the Company will be changed from Shandong Hi-Speed Group to Shandong Hi-Speed, while Shandong SASAC shall remain the ultimate control entity.

Report of the Board of Directors

The Company was informed by Shandong Hi-Speed Group that a share transfer agreement has been entered into with Shandong Hi-Speed in relation to the share acquisition on 10 November 2021, all its effective conditions have been fulfilled and Shandong Hi-Speed has fully paid the price of share transfer under the share transfer agreement. The major terms of the share transfer agreement have been set out in the announcement of the Company dated 13 October 2021.

Shandong Hi-Speed Group and Shandong Hi-Speed have jointly applied for, and the Executive has granted, a waiver pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code in respect of the obligation on the part of Shandong Hi-Speed to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by it or parties acting in concert with it, such obligation would otherwise arise as a result of the share acquisition.

On 23 December 2021, the Company was informed by Shandong Hi-Speed that they have completed the registration procedures for share change and based on the opinions of the legal advisor of the Company as for PRC law, the completion of the registration procedures for share change represents that the share acquisition has been completed. Upon completion of the share acquisition, Shandong Hi-Speed became the controlling shareholder and Shandong SASAC remained the ultimate controller.

For details, please refer to the announcements of the Company dated 13 May 2021, 19 May 2021, 13 October 2021 and 23 December 2021.

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

As disclosed in the announcement dated 13 May 2021 of the Company, the share acquisition, if materialised, may trigger an obligation on the part of Shandong HiSpeed to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by itself or parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless otherwise waived by the Executive. As such, Shandong Hi-Speed and Shandong Hi-Speed Group will jointly make an application to the Executive for the waiver of the mandatory general offer pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code. On 18 May 2021, the Company was informed by Shandong Hi-Speed and Shandong Hi-Speed Group that the Executive has granted the waiver on 18 May 2021.

For details, please refer to the announcements dated 13 May 2021 and 18 May 2021 of the Company.

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.

Prior to the share acquisition, Shandong Hi-Speed Group, the controlling shareholder directly held more than 10% issued share capital of the Company and is a substantial shareholder of the Company within the meaning of Listing Rules. After the share acquisition, the direct controlling shareholder was changed from Shandong Hi-Speed Group to Shandong Hi-Speed and Shandong Hi-Speed Group indirectly held more than 10% issued share capital of the Company through Shandong Hi-Speed. Under the requirements of Chapter 14A of the Listing Rules, Shandong Hi-Speed Group and Shandong Hi-Speed are connected persons of the Company. Therefore, all the Company's transactions with Shandong Hi-Speed Group and transactions with Shandong Hi-Speed after the share acquisition are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

Shandong Hi-Speed Group and its controlled subsidiary Shandong Hi-Speed respectively holds 37.06% and 11.6% of the shares in issue of Weihai City Commercial Bank. Therefore, according to the Chapter 14A of the Listing Rules, Weihai City Commercial Bank is an associate of Shandong Hi-Speed Group, and in turn a connected person of the Company. As a result, the Company's transactions with Weihai City Commercial Bank are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

Report of the Board of Directors

Non-Exempt Continuing Connected Transactions

(1) *The Jihe Expressway Land Lease Agreement*

The Company and Qilu Transportation entered into the Jihe Expressway 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 Jihe Expressway Land Lease Agreement, the Company may use the Leased Lands from 1 January 2017 to the execution date of the Jihe Expressway Land Lease Agreement at nil cost. The total rent for the land use right of the Leased Lands from the execution date of the Jihe Expressway 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 Jihe Expressway 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 Jihe Expressway Land Lease Agreement.

Pricing policies:

The rent payable under the Jihe Expressway 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 ended 31 December 2021 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)
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 2021 has been paid in March 2021.

(2) *The Jihe Expressway Property Lease Agreement*

The Company and Qilu Transportation entered into the Jihe Expressway 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 Jihe Expressway 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 Jihe Expressway 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.

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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 Jihe Expressway Property Lease Agreement.

Pricing policies:

The rent payable under the Jihe Expressway 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 Jihe Expressway Property Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Jihe Expressway Property Lease Agreement for the year ended 31 December 2021 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)
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 Jihe Expressway Property Lease Agreement for the year ended 31 December 2021 has been paid in March 2021.

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(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:

Year	Annual caps for the year ending 31 December (RMB)
2021	37,000,000
2022	41,000,000

For the year ended 31 December 2021, the actual transaction amount under the Deshang and Shennan Expressways Service Agreement was approximately RMB31,228,000.

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(4) *The Annual Caps of the Existing 2021-2023 General Services Framework Agreement and the Revised Existing 2021-2023 General Services Framework Agreement*

Pursuant to 2021-2023 General Services Framework Agreement, from 18 June 2021 to 31 December 2023, 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.

Reference is made to the announcement dated 3 May 2021 of the Company. As disclosed therein, the Company received a notice from the Shandong Provincial Traffic Transport Department that the R&E Project of Jihe Expressway has been listed as a project planned to be implemented under the “14th Five-Year Plan”, and the Company is required to accelerate the commencement of the relevant preliminary preparation works. Taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant Subordinated Entities, the progress of preliminary works under the R&E Project of the Jihe Expressway and the expected increase in the demand for such services of the Company, the Board passed a resolution on 26 August 2021 to adopt the proposed revision of the annual caps under the Existing 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 to RMB100 million, RMB200 million and RMB100 million respectively, which has been considered, approved and confirmed at the extraordinary general meeting on 31 December 2021.

Pricing policies:

The pricing of each of the services provided under the Existing 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 Existing 2021-2023 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;

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- (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 that require bidding procedures as required by laws and regulations, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. If such service is the one that requires bidding procedures according to laws and regulations, the price shall be the price determined by the bidding procedures. When the relevant project meets the required standards, the Company must conduct bidding to determine the counterparty of the transaction, and if Shandong Hi-Speed Group and its relevant Subordinated Entities win the bid, they must also satisfy the bid winning conditions.

Where the price is determined by applicable parties through negotiation, the major factors the parties should take into account include:

- (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 Shandong Hi-Speed Group and its relevant Subordinated Entities to any third party, and the minimum quotation for such service.

Annual caps:

The annual caps under the 2012-2023 General Services Framework Agreement of the Company for the three years ending 31 December 2023 shall be as follows:

Year	Annual caps for the year ending 31 December (RMB' 000)
2021	100,000
2022	200,000
2023	100,000

For the year ended 31 December 2021, the actual transaction amount under the 2021-2023 General Services Framework Agreement was approximately RMB36,358,268.72.

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(4) *2021-2023 Financial Services Framework Agreement*

On 31 August 2021, we entered into the 2021-2023 Financial Services Framework Agreement with Weihai City Commercial Bank, pursuant to which, Weihai City Commercial Bank agreed to provide deposit services and the other financial services to the Group, subject to the terms and conditions of the 2021-2023 Financial Services Framework Agreement.

Pricing policies:

Weihai City Commercial Bank has undertaken to provide the above financial services to the Group in accordance with the following pricing policies:

- (1) the deposit interest rate provided by Weihai City Commercial Bank shall not be lower than any of the following: the interest rates offered by Weihai City Commercial Bank to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; and the interest rates offered by other PRC commercial banks to the Company and its subsidiaries for the same type of deposits.
- (2) the fees charged by Weihai City Commercial Bank for provision of the other financial services to the Group shall meet all of the following criteria:
 - (i) it shall not be higher than the standard interest rates as issued by the PBOC or CBIRC (if applicable);
 - (ii) it shall not be higher than or shall be equivalent to the interest or service fees charged by other commercial banks or other financial institutions in respect of the provision of similar services; and
 - (iii) it shall not be higher than the interest or service fees charged by Weihai City Commercial Bank in respect of the provision of similar services to other members of Shandong Hi-Speed Group.

Report of the Board of Directors

Annual caps:

- (1) Deposit Services

Year	For the year ending 31 December Daily maximum deposit balance (including accrued interests) (RMB'000)
2021	500,000
2022	1,000,000
2023	1,000,000

For the year ending 31 December 2021, under the 2021-2023 Financial Services Framework Agreement, the daily maximum deposit balance (including accrued interest) of the Group in Weihai City Commercial Bank is RMB30,000,000.

- (2) The Other Financial Services

Year	For the year ending 31 December Annual Caps (RMB'000)
2021	10,000
2022	10,000
2023	10,000

For the year ending 31 December 2021, under the 2021-2023 Financial Services Framework Agreement, there was no transaction in respect of the Other Financial Services in the Group.

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.

Report of the Board of Directors

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.

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;

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- (iii) the engagement or participation by Qilu Transportation or COSCO SHIPPING (Hong Kong) in the investment, development, maintenance, operation and management of expressways running within/through Shandong Province of the PRC, the establishment and operation of the advertisement billboards along the expressways under its operation and/or management, and the operation of other businesses in relation to toll roads in accordance with specific written approvals or instructions from the competent provincial government departments. 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.

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.

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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.

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 2021, 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 2021. For the year ended 31 December 2021, 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 RMB159,482,000. 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. 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.

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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).

SHARE CAPITAL

As at 31 December 2021, 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 2021 was as follows:

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

Details of movements in the share capital of the Company during the Year are set out in Note 30 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.

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

As at 31 December 2021, 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:

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

Report of the Board of Directors

Name of Shareholders	Number of		Class of Shares	Approximate percentage of	Approximate percentage	Long position/short position
	Shares held	Capacity		the total number of relevant class of issued share capital of the Company	of the total issued share capital of the Company	
CITIC Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Cornerstone Holdings Limited	173,919,000	Beneficial interest	H Shares	15.81%	8.70%	Long position
China Merchants Expressway Network & Technology Holdings Co., Ltd. ^(Note 6)	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
China Merchants Group Limited ^(Note 6)	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position

Notes:

1. Shandong Hi-Speed is 70.91% owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the Domestic Shares held by Shandong Hi-Speed under the SFO.
2. COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Shipping Group Company Limited. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited*. Therefore, China Shipping Group 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. Guoneng Power Technology & Engineering Co., Ltd. is wholly owned by China Energy Guoyuan Power Co., Ltd.. China Energy Guoyuan Power Co., Ltd. is wholly owned by China Energy Investment Corporation Limited. Therefore, China Energy Guoyuan Power Co., Ltd. and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Guoneng Power Technology & Engineering Co., Ltd. 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.

Report of the Board of Directors

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.
6. Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd. 68.65% shares of China Merchants Expressway Network & Technology Holdings Co., Ltd. is owned by China Merchants Group Limited. Therefore, China Merchants Expressway Network & Technology Holdings Co., Ltd. and China Merchants Group Limited are deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

Save as disclosed above, as at 31 December 2021, 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 2021, none of our Directors, Supervisors or chief executives and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, 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 dated 17 November 2020 of the Company, 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.

Report of the Board of Directors

The Company has subsequently 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. As of 31 March 2021, 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. An application has been made by the Company to the Stock Exchange for an extension of the temporary waiver until 30 June 2021. On 3 May 2021, the Stock Exchange granted a waiver on the part of the Company from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from for the period from 31 March 2021 to 30 June 2021. The waiver has taken effect after being disclosed by an announcement on 4 May 2021.

As of 30 June 2021, 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. An application has been made by the Company to the Stock Exchange for an extension of the temporary waiver until 30 November 2021. On 5 November 2021, the Stock Exchange granted a waiver on the part of the Company from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from for the period from 30 June 2021 to 30 November 2021. The waiver has taken effect after being disclosed by an announcement on 8 November 2021.

On 3 November 2021, the Company was informed by Shandong Hi-Speed Investment that a share purchase agreement has been entered into between Shandong Hi-Speed Investment and Cornerstone Holdings in respect of the disposal of 103,750,000 issued H Shares of the Company, which are beneficially owned by Shandong Hi-Speed Investment, representing 5.19% of the issued share capital of the Company, to Cornerstone Holdings on 3 November 2021.

On 8 November 2021, the Company was informed by Shandong Hi-Speed Investment that the H Share Transfer was completed on 8 November 2021. Shandong Hi-Speed Investment has completed the disposal of 103,750,000 issued H Shares of the Company at the price of HK\$2.301 per share, which are beneficially owned by Shandong Hi-Speed Investment, representing 5.19% of the issued share capital of the Company, to Cornerstone Holdings. Immediately upon the completion of the H Share Transfer, 500,000,000 Shares were held by the public, accounting for 25% of the Company’s issued share capital. Accordingly, the Company has satisfied the Minimum Public Float Requirement pursuant to Rule 8.08 of the Listing Rules.

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, 23 November 2020, 4 May 2021 and 3 November 2021.

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. Wang Zhenjiang (*Chairman of the Board*) (*Appointed as an executive Director and the Chairman of the Board on 9 August 2021*)

Mr. Li Gang (*Resigned as an executive Director and the Chairman of the Board on 22 June 2021*)

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. Yuan Ruizheng (*resigned as a non-executive Director on 29 January 2021*)

Mr. Du Zhongming (*Appointed as a non-executive Director on 26 March 2021*)

Mr. Tang Haolai (*Resigned as a non-executive Director on 20 January 2022*)

Mr. Shi Jinglei (*Appointed as a non-executive Director on 11 March 2022*)

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. Zhang Yin

Mr. Wu Yongfu

Employee Supervisors

Mr. Wang Shun

Mr. Hao Dehong

Ms. Hou Qinghong

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

Due to work reallocation, Mr. Yuan Ruizheng has resigned from his position as a non-executive Director of the Company with effect from 29 January 2021.

Mr. Du Zhongming was appointed as a non-executive Director of the Company on 26 March 2021.

Due to work reallocation, Mr. Li Gang has resigned from his positions as the chairman of the Board, an executive Director, the chairman of the nomination committee, the chairman of the strategy committee, the legal representative and an authorised representative of the Company with effect from 22 June 2021.

Mr. Wang Zhenjiang was appointed as the chairman of the Board, an executive Director, chairman of the Nomination Committee, the chairman of the Strategic Committee, the legal representative and authorised representative of the Company on 9 August 2021.

Due to work reallocation, Mr. Li Andong has resigned from his position as the chief financial officer of the Company on 16 December 2021.

Mr. Gao Pu was appointed as the chief financial officer of the Company on 16 December 2021.

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

Due to work reallocation, Mr. Tang Haolai has resigned from his position as a non-executive Director of the Company with effect from 20 January 2022.

Mr. Shi Jinglei has been appointed as a non-executive Director of the Company with effect from 11 March 2022.

Mr. Zhao Guangmin has been appointed as the chief safety officer of the Company with effect from 20 January 2022.

Report of the Board of Directors

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Ms. Kong Xia has been serving as the deputy head of the organisation department of the party committee (party committee of the head office) of Shandong Hi-Speed Group since 18 June 2021.

Mr. Zhou Cenyu serves as the secretary of the party branch and the chairman of the Board of directors of Shandong Expressway Minsheng Group Co., Ltd. since November 2021.

Save as disclosed above, since the date of the Company's 2020 Annual Report and up to the date of this report, there were no other changes in the information of the Directors and the Supervisors which shall be disclosed and has been disclosed under Rule 13.51B(1) of the Listing Rules.

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 or 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.

Report of the Board of Directors

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

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

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report
Chen Dalong (陳大龍)/Vice chairman of the Board, Non-executive Director	Director 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
Su Xiaodong (蘇曉東)/Non-executive Director	Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong); 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))
Zhou Cenyu (周岑昱)/Non-executive Director	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) and the secretary of the party branch and the chairman of the Board of directors of Shandong Expressway Minsheng Group Co., Ltd.
Kong Xia (孔霞)/Non-executive Director	Deputy head of the organization department of the party committee (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
Meng Xin (孟昕)/Chairman of the Supervisory Committee	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); (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)
Zhang Yin (張引)/Shareholder Representative Supervisor	Director of the project development and capital operation centre of Shandong Hi-Speed Group

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 9 and 10 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 2021 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 2021 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 2022, respectively. The proposed appointment is subject to Shareholders' approval at the 2021 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 2021 AGM until the conclusion of the next annual general meeting of the Company.

The domestic and international auditors PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers have retired at the conclusion of the 2018 annual general meeting of the Company held on 10 June 2019; Ernst & Young Hua Ming LLP and Ernst & Young were appointed as the domestic and international auditors at the general meeting on the same day. For further details, please refer to the announcement and circular dated 21 March 2019 and 24 April 2019, respectively.

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 2021

The Company has included the full text of the environmental, social and governance report 2021 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

Wang Zhenjiang

Chairman

Shandong, the People's Republic of China

30 March 2022

Work Report of the Supervisory Committee

In 2021, the supervisory committee (hereinafter referred to as the “Supervisory Committee”) of Qilu Expressway Company Limited (hereinafter referred to as the “Company”), adhering to an attitude of responsibility to all shareholders, diligently and earnestly performed its supervisory duties by convening meetings of the Supervisory Committee as scheduled, attending Board meetings and general meetings and regulating the production and operation condition, decision-making procedures, legality of operations, financial conditions and management of internal control standards of the Company as well as the duty performance of the Directors and senior management personnel of the Company, in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”), the articles of association of Qilu Expressway Company Limited (hereinafter referred to as the “Articles of Association”), the rules of procedures for the supervisory committee of Qilu Expressway Company Limited (hereinafter referred to as the “Rules of Procedures for the Supervisory Committee”) and the requirements of other applicable laws and regulations, which safeguarded the legal rights of the Company and all shareholders and promoted the standard operation of the Company. It also discussed and reviewed the final financial report and profit distribution plan to be submitted by the Board of Directors to the general meeting, to uncover problems for timely communication and incorporate supervision into daily operation.

We hereby report the major work of the Supervisory Committee for 2021 as follows:

I. CONVENTION OF MEETINGS OF THE SUPERVISORY COMMITTEE FOR THE YEAR

The Supervisory Committee held two meetings in total for the year. All resolutions have been unanimously approved and considered by all supervisors. The meetings are summarized as follows:

1. The fourth meeting of the second session of the Supervisory Committee was held on 25 March 2021, at which, the Resolution on 2020 Work Report of the Supervisory Committee, the Resolution on 2020 Profit Distribution and Dividend Distribution Plan, the Resolution on 2020 Final financial report, the Resolution on the 2021 Financial Budget Plan, the Resolution on the 2020 Internal Control Valuation Report, the Resolution on Declaration for the 2020 Financial Statement to Auditors and Audit Firms, the Resolution on the 2020 Audited Financial Statement and Auditor’s Report of the Company and the Resolution on the 2020 Annual Report of the Company were considered and approved;
2. The fifth meeting of the second session of the Supervisory Committee was held on 26 August 2021, at which, the Resolution on the unaudited Interim Financial Statement of the Company for the Six Months Ended 30 June 2021 was considered and approved.

II. BASIC EVALUATION ON THE COMPANY’S MANAGEMENT AND OPERATION BEHAVIOR AND RESULTS FOR THE YEAR

In 2021, the production and operation of the Company have been effectively supervised, sound business performance has been achieved, and the production and operation plan specified at the beginning of the year has been completed. The Supervisory Committee believes that the management of the Company are diligent and responsible and have earnestly implemented the resolutions proposed by the Board of Directors. No non-compliance act was found in the operations.

Work Report of the Supervisory Committee

III. THE SUPERVISORY COMMITTEE'S VERIFICATION OPINIONS ON THE COMPANY'S RELEVANT MATTERS

1. Compliance of the Company's operation

The Supervisory Committee believes that the Company's decision-making procedures have strictly complied with various provisions of laws and regulations, the Board of Directors operated in a standardized and scientific manner with legal decision-making procedures and have earnestly implemented all the resolutions of the general meeting. It has also established a relatively complete internal control system which is still being improved. The Directors and senior management personnel of the Company performed their duties diligently and responsibly and there was no acts of the Directors and senior management personnel being in breach of laws, regulations, the Articles of Association or against the interests of the Company and shareholders.

2. Review of the Company's financial conditions and annual report

The Supervisory Committee believes that the Company's financial report gives a true picture of the Company's financial conditions and results of operation, the auditor's report is true and reasonable and is helpful for shareholders to understand correctly the Company's financial conditions and operating condition. The procedures of the preparation of the 2021 Annual Report prepared by the Company complied with laws, regulations and the requirements of the Company's Articles of Association. It truthfully, legally and completely reflects the Company's status without any false records, misleading statements or material omissions.

3. Internal control of the Company

The Supervisory Committee believes that the form and content of the report complied with the requirements of relevant laws, regulations and regulatory documents. During the reporting period, the Company has established internal control over the business subjects included into the scope of assessment and have maintained effective internal control in all material aspects according to the requirements of the internal control regulatory system and relevant regulations, which achieved the purpose of the Company's internal control with no significant defects.

4. Major acquisitions and disposals of assets and external investments

During the reporting period, the Company did not acquire or dispose of substantial assets or make external investment in 2021.

5. Supervision and verification of connected transactions

The Supervisory Committee, after supervising and verifying the connected transactions (including continuing connected transactions) of the Company for the year, believes that the counterparty, content of transaction, transaction amount, pricing principle and method of settlement of the connected transactions in the ordinary course of the Company's production and operation for the year complied with relevant laws and regulations as well as the requirements under the Listing Rules. No connected transactions that are unfair or against the interests of the Company and shareholders were found.

Work Report of the Supervisory Committee

6. Evaluation on the behavior and performance of the Board and senior management

The Supervisory Committee believes that the Directors and senior management of the Company are able to operate business in accordance with the Company Law, the Articles of Association and other applicable laws and regulations, and that they have earnestly implemented the resolutions passed and policies formulated by general meeting of shareholders and the Board, and faithfully fulfilled their duty of good faith. Upon supervision and verification, the Supervisory Committee did not identify any violations of the Company Law, the Articles of Association and other applicable laws and regulations committed by the Directors and senior management of the Company in performing their duties, nor any acts against the rights or interests of the Company or its shareholders.

IV. ANNUAL WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2020

1. The Supervisory Committee carried out its daily deliberation activities in strict accordance with the Company Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, held regular and extraordinary meetings according to the actual needs, attended Board meetings and general meetings and reviewed various topics; enhanced daily supervision and inspection to further improve the time efficiency and sensitivity of supervision, completed various special audits, inspections and supervisions pursuant to relevant requirements and issued verification opinions.
2. It innovated work methods and conducted other supervision actively and orderly, fully functions as internal supervisory capability within the corporate, strengthened the relationship with the shareholders, safeguarded the legal rights of the Company and increased the supervision over controlled subsidiaries and joint stock companies in addition to securing the supervision and inspection of the headquarters of the Company. It also approached the Company on a regular basis for conditions so as to be informed of the Company's operation, especially major business activities and investment projects. Problems were ceased and corrected once identified and timely recommendations were provided. the Supervisory Committee maintained communication and contact with external auditor to keep abreast of and become knowledgeable about relevant circumstances.
3. It enhanced the internal study, research and training of the supervisors to promote self-construction. The members of the Supervisory Committee actively participated in the relevant training organized by the regulatory authorities and the Company to continuously develop their expertise and enhance their level of supervision and inspection, which would promote the standardized operation of the Company. The Supervisory Committee diligently held the responsibility of safeguarding the rights and interests of shareholders, and promoted the healthy and stable development of the Company.

By order of the Supervisory Committee

Xin Meng

Chairman

Shandong, the People's Republic of China

30 March 2022

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the fourth 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.

Time Scope:

The reporting period was from 1 January 2021 to 31 December 2021, with certain contents beyond this timeframe.

Scope of Subject Organizations:

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". "Shandong Gangtong Construction Co., Ltd." is referred to as "Gangtong Co." and "Gangtong". Unless otherwise specifically indicated, the qualitative and quantitative information disclosed in this report covers Qilu Expressway and three of its wholly-owned subsidiaries.

Release Cycle:

The Environmental, Social and Governance Report of the Qilu Expressway Company Limited is released on an annual basis, the last issue of which is the 2020 Environmental, Social and Governance Report.

Notes on data:

The data quoted in this report are derived from the official documents, statistical reports and financial reports, etc. of the Company, and are reviewed by the Company.

Reference Standards:

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").

The core proposals under the GRI Sustainability Reporting Standards (GRI Chinese Version) issued by Global Reporting Initiative.

Contact:

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.

Website: <http://www.qlecl.com/>

Environmental, Social and Governance Report

CHAPTER I RESPONSIBILITY GOVERNANCE

1.1 Environment and Social Responsibility Concept

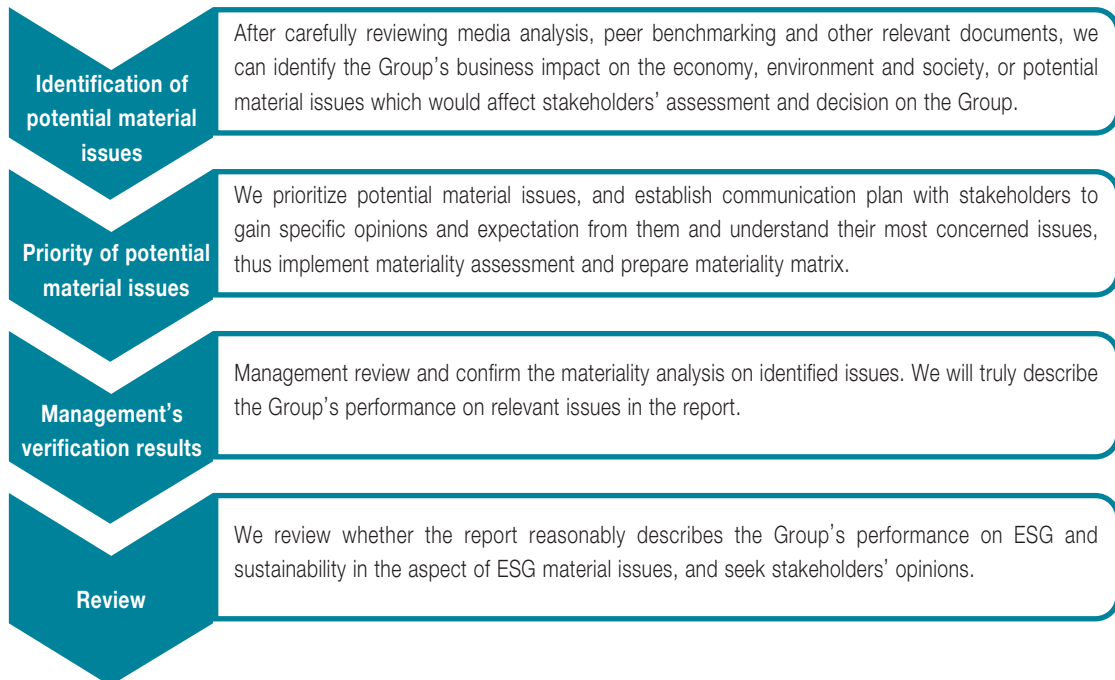
The Company is principally engaged in the operation of expressways. The business not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, providing safe, rapid, economical and comfortable transportation services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

1.2 ESG Issues Assessment

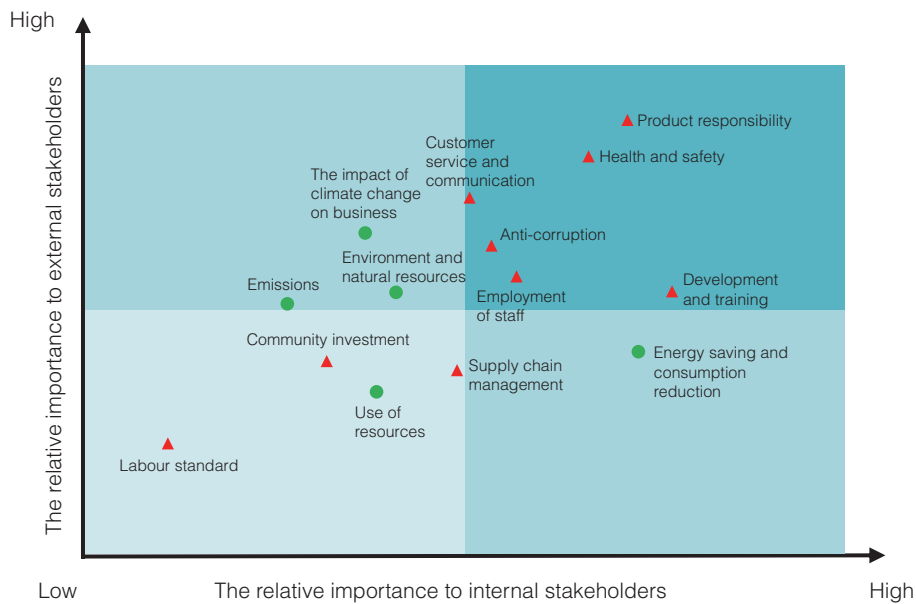
Through combining the stakeholders’ opinions and expectations with ESG governance and development needs, the Group conducts materiality assessment and analysis on concerned ESG issues, so as to actively and purposely response to stakeholders’ concerns in ESG initiatives. We carry out issues importance assessment through vigorous and effective procedures, which are implemented in four main steps.



Environmental, Social and Governance Report

1.3 ESG Materiality

During the Reporting Period, we received the opinions and expectations from the major stakeholders about the Company’s environment, social and governance issues by timely communicating with them. Therefore, we realised that certain stakeholders paid more attention to energy saving and consumption reduction as compared with 2020. Based on the result of communication with major stakeholder representatives, we concluded an important assessment matrix about the Group’s ESG issues in 2021 (see the chart below), and made a detailed disclosure according to the materiality assessment matrix in the report.



List of material issues in the environmental, social and governance aspects of Qilu Expressway in 2021		
Environmental Issues		
Emissions	Use of resources	Environment and natural resources
Energy saving and consumption reducing	The impact of climate change on business	
Social Issues		
Labour standard	Community investment	Supply chain management
Anti-corruption	Customer service and communication	Product responsibility
Health and safety	Development and training	Employment of staff

Environmental, Social and Governance Report

1.4 Stakeholders

As a group who has direct relation with our sustainable development, stakeholders play a crucial role in our business decision-making process. Based on the features of our actual business and operations, we identify a number of stakeholders, which include shareholders and investors, government and regulatory agencies, employee, suppliers, customers, media and NGOs as well as communities. The continuous effective communication system established has enabled the Group to be timely informed of the opinions and expectations of various stakeholders and design or adjust its ESG strategic plan and the implementation, thus meeting the expectation of our stakeholders. The table below sets out our assessment result of key issues that different stakeholders are concerned about during the reporting period:

Stakeholders	Key Focus Areas	Communication Mechanism
Government and regulators	<ul style="list-style-type: none"> Promoting harmonious development between society and economy Brands and technologies as leaders Paying taxes in accordance to laws Anti-corruption 	<ul style="list-style-type: none"> Contributing corporate experience Monitoring social feedbacks Cooperating strategically with government authorities Attending seminars and forums
Shareholders and Investors	<ul style="list-style-type: none"> Corporate governance norms Steady growth in performance Sustainable development 	<ul style="list-style-type: none"> Fulfilling the obligation to disclose information Conducting performance exchange activities Issuing reports to announce performance regularly
Employees	<ul style="list-style-type: none"> Protection of basic rights and interests Career development Salary and benefit growth Diversity and equal opportunities 	<ul style="list-style-type: none"> Establishing democratic committee at each level Convening employee representatives meeting and reporting Organising various training and activities for staff Setting up complaint and feedback mailboxes

Environmental, Social and Governance Report

Stakeholders	Key Focus Areas	Communication Mechanism
Customers	<ul style="list-style-type: none"> • Stability of product quality • Customer service and communication • Protection of information and privacy 	<ul style="list-style-type: none"> • Publicizing the undertaking of service quality • Opening hotline services • Carrying out customer satisfaction survey
Partners	<ul style="list-style-type: none"> • Purchasing in an open and transparent manner • Cooperation and win-win result 	<ul style="list-style-type: none"> • Holding tendering and bidding meetings • Sharing management experience and technology criteria • Organising cooperation negotiations and daily meetings • Organising training for partners • Convening a meeting about normal businesses exchange
NGOs	<ul style="list-style-type: none"> • Improving sustainability management • Shouldering social responsibilities such as poverty alleviation and environment protection 	<ul style="list-style-type: none"> • Contributing to corporate experience • Participating in relevant activities • Promoting business interactions and communications
Community	<ul style="list-style-type: none"> • Employment growth • Protecting community environment • Driving community economic development • Respecting community culture and tradition 	<ul style="list-style-type: none"> • Conducting dialog with local community • Visiting community and exchange • Conducting social and environmental assessment of projects • Carrying out knowledge publicity and education • Improving information disclosure

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CHAPTER II CONSOLIDATING FOUNDATION AND ENSURING COMPLIANCE OPERATION

The Group further places emphasis on compliance operation to provide basis for its sustainable development by various measures, such as strengthening risk control, optimizing integrity management system, enhancing information security, implementing advertisements and trademarks management, and regulating supply chain management.

2.1 Integrity

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 strictly complies with the laws and regulations, such as 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》, and the Public Employee Sanctions Law 《政務處分法》. In 2021, there were no violations that had a material impact on the Company in terms of anti-corruption.

In March 2021, the Company issued the “First Issue” System for the CPC Disciplinary Committee Meeting of Qilu Expressway Company Limited. The “First Issue” System of the Disciplinary Committee Meeting is a basic system for the Disciplinary Committee of the Company to place the practice of learning deeply Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, General Secretary Xi Jinping’s key speeches, key articles and guidelines, important instruction spirits and major decisions of the CPC Central Committee as the first issue in the Disciplinary Committee Meeting, especially the content about comprehensive and stringent governance of the Party, improving Party conduct and combating corruption, as well disciplinary inspection. The “First Issue” System embodies the implementation of “two principles to uphold”, ensures the high-quality development of the disciplinary inspection, and meets the urgent need to strengthen the self-governance of the Disciplinary Committee of the Company. We need to implement the system thoroughly and on a long term basis. We should prioritize learning activities, integrate it into the daily affairs and monitor the application in our daily work. Moreover, it is practical for us to arm ourselves with innovative theory of the Party and use it to guide the practice and advance the work. On 29 March, the Company issued Centralized Study System of the CPC Disciplinary Committee Meeting of Qilu Expressway Company Limited 《中共齊魯高速公路股份有限公司紀委集中學習制度》, which aims to further improve the knowledge of political theory of Disciplinary Committee members, strengthen their supervisory responsibility and promote normalized, standardized and institutionalized study and education for Disciplinary Committee members.

In order to further improve Party conduct, strengthen the integrity sense of the staff members and enhance anti-corruption capability, on 27 December, the Company organised all staff members to visit and study in the Integrity Education Museum in Shandong Province.



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2.2 Compliance Management

In April 2021, the Company issued the Notice of Establishment Compliance Management Committee 《關於成立合規管理委員會的通知》 according to regulatory documents such as the Guidelines for Compliance Management of Central Enterprises (Trial) (中央企業合規管理指引(試行)), the Guidelines for Compliance Management of Provincial Enterprises《省屬企業合規管理指引》 promulgated by Shandong SASAC, and Compliance Management Measures of Shandong Hi-Speed Group Company Limited (Trial) 《山東高速集團有限公司合規管理辦法(試行)》, with a view to strengthening the awareness of compliance, promoting the Company's management according to the laws and regulations, and safeguarding sustainable and sound development of the Company. The Secretary of the Communist Party and Chairman act as the director of the Compliance Management Committee, the deputy Secretary of the Party and Manager as vice-director, other leaders of the Company as the members of the committee, and the main persons-in-charge of each department and office of the headquarters as the members of the committee. Compliance Management Office is a function under the Audit and Legal Department, responsible for the Company's compliance management. The Compliance Management Office of the committee is designed as its normal affairs agency.

In September 2021, the Company issued the Compliance Management Measures of Qilu Expressway Company Limited (Trial) 《山東高速集團有限公司合規管理辦法(試行)》. According to the document, the Company's legal representative was appointed as the first person responsible for compliance management. Compliance Committee was established for leading and coordinating the work of the compliance management, main responsibilities including: researching and deciding major items of the compliance management; leading to address risks of the material compliance; and guiding, supervising and evaluating compliance management work. The leader who is in charge of legal sector in the Company is responsible for the daily compliance management of the committee, mainly duties including: participating in the Company's major decision and proposing advice about the compliance; coping with the issues in the compliance management in a timely manner; reporting major compliance management to the Compliance Management Committee or main person of the compliance management. The Company has established a compliance management structure with three lines of defense. Each of them has its own duties, coordinates and cooperates with each other to effectively participate in compliance management and form a synergy. The compliance management of the Company's key sectors sets out as follow:

Department	Key Contents
The Board Office	Strengthening the compliance management of information disclosure
General Office	Enhancing the compliance management of official seals and fixed assets related to the operation of office
Party Affairs Department	Strengthening the compliance management of the governance of the Party organisation and leading group building and normal work of the party committee, youth league committee and labour union
Disciplinary Committee Office	Enhancing the process of developing a system according to laws and ensuring its compliance; highlighting the supervision of the procedures, improving the control and prevention mechanism for integrity risks, and ensuring exercised powers in accordance with the law

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Department	Key Contents
Human Resource Department	Strengthening the compliance management of employment
Business Management Department	Strengthening the compliance management of contracts and tendering and bidding segment
Financial Management Department	Strengthening the compliance management of accounting, monetary funds, asset accounts, transactions, budgets, financing, and tax planning
Safe Operation Department	Strengthening the compliance management of safe operation and strictly complying with national laws and regulations on work safety
Engineering Maintenance Department	Strengthening the compliance management of construction engineering, enhancing the control of whole process of project management, eliminating irregular subcontracting and trans-contracting, and standardizing the performance of the agreement
IT Department	Strengthening the compliance management of information system engineering projects, enhancing its audit and submission of design changes, measurement payments and management of engineering information
Audit and Legal Department	Strengthening the compliance management of internal audit, legal affairs, risk management and monitoring major projects
Project Construction Office	Thoroughly carrying out the Company's rules and systems while developing our system and implementing the responsibility for safe workplace and integrity
Operation and Management Center	Ensuring the compliance of daily operation, conducting operation and management according to laws and regulations and the rules of the Company's system, and accepting the supervision and management and evaluation of the headquarters

2.3 Responsible Supply

The Company has different types of suppliers including engineering construction, equipment, goods and materials, and service consultation, with a total of 150 suppliers, of which, 130 are local suppliers and 20 are suppliers from other regions. 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.

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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 contract for the tendering project and ends at completion of contract performance (including warranty period). Meanwhile, the Company has formed a tendering and procurement monitoring group, which is responsible for monitoring and guiding the tendering and bidding activities jointly with relevant departments. The monitoring group has an office for its daily operations. The office is a function under the 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.

Suppliers for road construction are divided into several categories, such as gravel, sand and other ground materials, cement and cement products, asphalt, water-stable mixes and asphalt mixes. Due to the special nature of the road construction and as a general practice, when selecting supplier, the Company would conduct visit, research and comparison in advance, and would choose large enterprises within the province and located near relevant projects. The qualified enterprise should also have qualification for production, and its producing process should comply with relevant environment, safety and other rules and regulations. For example, in terms of the supply of cement and cement products, we selected Shanshui Cement (one of the top 500 enterprises in China) as the supplier. This enterprise meets local requirements on emissions, and offers reliability in terms of producing environment, production process and products quality.

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, 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.

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2.4 Information Security

The Company has established corporate information safety management system and developed Measures for the Administration of Network Security, which could prevent external attack and avoid the leakage by internal individuals. Through the system, we are able to protect corporate information system from unauthorized access, use, disclosure, disruption, modification and destruction, provide confidentiality, integrity, authenticity, availability and non-repudiation services for corporate information and corporate information system, and ensure that the data would not be lost when disruption or catastrophic events occur.

We have special safe to keep the confidential information related to the Company's internal affairs or our customers. Moreover, in order to safeguard customer's privacy and data security, we have designated personnel for the custody of customers information, and required each employee in key positions to sign a "confidentiality agreement". We also strengthened the machine room safety management, ensured the information security of machine room, provided safe operation environment for communication device, and ensure the equipment in the machine room are running in the best conditions. The Company has never recorded any incidents of leakage of customers information.

The measures that the Company adopted to protect customer's travel information (such as vehicle plate numbers, vehicle travel route) set out as follow:

1. Lane flow and other vehicles travel information are accessed through logging in the internal platform of Ministry of Transportation and Department of Transportation, and is only accessible by the internal staff from relevant function of the Company. All systems have been encrypted and could not be accessed without passwords. According relevant working system of the Company, the information is not allowed to be copied except for work needs.
2. As for the activities through third-party systems, such as mobile payment and value-added electronic invoice issuance, the Company has signed confidential agreements with all of the relevant partners. Data storage and accounts and customers information are not allowed to privately provide to any third party in private, and shall not be disclosed and divulged in any ways to the public.

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2.5 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 Industrial Development Company Limited (山東舜廣實業發展有限公司) ("Shunguang Industrial"), a subordinate company of the Company, has formulated management systems such as the "Rules and Regulations of Shandong Shunguang Culture Media Company Limited" 《山東舜廣實業發展有限公司規章制度》 and the "Advertisement Management System of Shandong Shunguang Culture Media Company Limited" 《山東舜廣實業發展有限公司廣告管理制度》. A majority of advertising media business of Shunguang Industrial 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 2021, there were no non-compliances with relevant laws and regulations that have a significant impact on the Company relating to advertisements and trademarks, etc.

Secondly, according to the Company's development strategies and based on corporate development situations and corporate culture development requirements of Shandong Hi-speed Group, we have built our corporate culture brand "Smart and Beauty of Qilu" with unique features of Qilu Expressway, reshaped corporate mission, vision and core value, and extended a cultural philosophy system characterised by the Party building as leading driving force, integrated content, distinctive and wide recognition, facilitating the implementation of favourable strategies for the Company's development. In terms of brand visual, we standardise the Company's brand visual system, according to brand visual regulated requirements of Shandong Hi-speed Group and combining with the gene and characteristics of Qilu Expressway brand. That enables Qilu Expressway brand to inherit the style of Shandong Hi-speed Group, connect with cultural spirit connotation, ensure the overall consistency, internal and external integration and recognizability of Qilu Expressway brand, and form a complete and detailed brand visualization system specification. In the second half of 2021, we optimised, installed and upgraded VI material in the headquarters and subsidiaries as planned, fully reproducing the brand image and aesthetic features characterised by wisdom, vitality, life and beauty.

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CHAPTER III NURTURING, ENABLING AND INTEGRATION OF TALENTS

3.1 Employment Equality and Protection of Interests

3.1.1 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》, "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 2021, the Company did not dismiss any employee for the reason of the above behaviours.

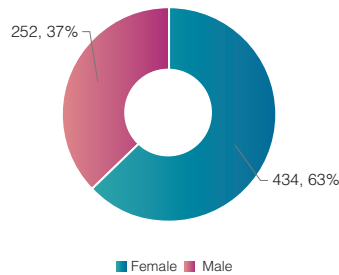
The Company is committed to gender equality and the principle of equal pay for equal work. In compliance with the law, the Company enters into labour contracts with all employees, and strictly implements various labour protection policies. When recruiting employees, candidates will not be treated differently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

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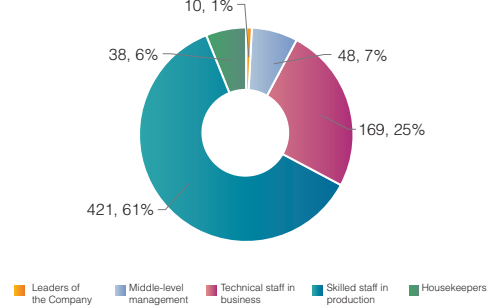
As at 31 December 2021, the Company had a total of 686 employees, 252 of them are female, representing approximately 37% of the total number of employees. (The above figures are consistent with those set out in the annual report, and include 55 employees of its subsidiaries)

Indicators	2021 Statistics	
Total Number of Employees		686
By Gender	Female	252
	Male	434
By Employment Category	Leaders of the Company	10
	Middle-level employees	48
	Technical staff in business	169
	Skilled staff in production	421
	Housekeepers	38
By Age	Aged below 30	59
	Aged 30-50	573
	Aged above 50	54
By Academic qualification	Postgraduates and above	21
	Undergraduate	376
	College graduate	186
	Below college graduate	103

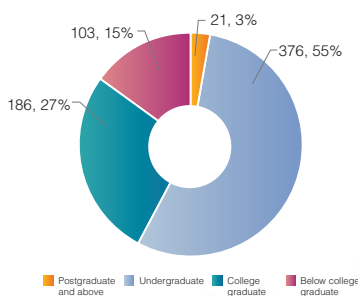
Total Number of Employees by Gender



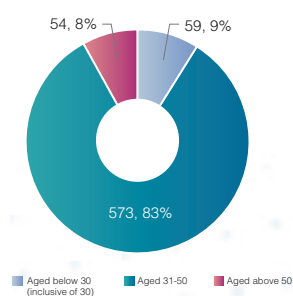
Total Number of Employees by Position Level



Total Number of Employees by Academic Qualification



Total Number of Employees by Age



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In 2021, the Company had a total employee turnover of 7, representing an employee turnover rate of 1.02%. Among them, 3 were male and 4 was female. 6 of them were from Jinan and 1 was from Jining. 3 of them were aged 35 and below, 4 of them was aged 36-55 (including 1 retiree). In terms of academic qualification, 1 of them was postgraduates and above, 3 of them were undergraduates, 3 of them were college graduates and below.

Indicators	2021 Statistics	
Total new recruits		10
By Gender	Female	3
	Male	7
By Location	Jinan	10
	Jining	0
By Age	Aged below 36	8
	Aged 36-55	2
	Aged above 55	0
By Academic Qualification	Postgraduates and above	6
	Undergraduate	4
	College graduate and below	0

Indicators	2021 Statistics	
Total employee turnover		7
By Gender	Female	4
	Male	3
By Location	Jinan	6
	Jining	1
By Age	Aged below 36	3
	Aged 36-55	4
	Aged above 55	0
By Academic Qualification	Postgraduates and above	1
	Undergraduate	3
	College graduate and below	3

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 2021, 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.

Environmental, Social and Governance Report

3.1.2 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 2021, 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' postemployment 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. The Company's total welfare expenses in 2021 are RMB39,772,200.

Unit: RMB'0,000

No.	Benefits	Expenses
1	Heating subsidy	158.82
2	Social insurance	1,829.19
3	Housing provident fund	901.63
4	Corporate annuity	574.34
5	Supplementary medical insurance	398.69
6	High temperature subsidy	40.29
7	Accidental injury insurance	9.32
8	Medical examinations	64.94
	Total	3,977.22

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).

Environmental, Social and Governance Report

3.1.3 Compliance in terms of Employment

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 provide personal information. The Company's examination department checks the personal information and make timely correction if any problem is found. Child and forced labour are 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.

3.2 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) standardization document, the Company identifies hazardous sources and environmental factors on a regular basis, and thereby controls hazardous factors.



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 0%. The Company recorded lost days due to work injury of 47 days.

Work injury statistics of Qilu Expressway in 2019-2021

Year	2019	2020	2021 Unit
Work-related fatalities	0	0	0 People
Rate of work-related fatalities	0	0	0 %
Lost days due to work injury	12	12	47 Day

Environmental, Social and Governance Report

3.2.1 Health of Staff

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 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.



3.2.2 Safety 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 each 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 has also developed a list of risk source identification and hazardous sources, based on which, the Company carries out periodic or special safety inspections, and make corrections in a timely manner when any hidden danger is found.

Environmental, Social and Governance Report

All staff entering the construction site shall wear safety helmets and other corresponding protective equipment for specific types of work as required, and observe the rules and regulations; Protective and safety nets are set up for work at height, and construction workers shall wear safety belts, safety helmets, and non-slip shoes, and take quarantine measures when carrying out up-down cross work. In the event of heavy rain or strong winds of level 6 or above, all work at height and lifting operations must be stopped; the selection of equipment, construction techniques and construction methods shall be continuously improved, and joint efforts should be made to ensure that the concentration of dust and poison at the operating point reaches below the national sanitation standard; take reasonable measures to avoid dust and poison pollution caused by improper construction methods and prevent noise and other reasons from causing injury to operators; strengthen the maintenance and normal operation of mechanical equipment, and try to keep mechanical noise at its lowest level; strictly prevent oil leakage.



3.2.3 Occupational Health and Safety

We strictly complied with the Law of the PRC on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, the Measures for the Administration of Occupational Health Examination 《職業健康檢查管理辦法》, the Regulations on Work-Related Injury Insurance 《工傷保險條例》 and other relevant laws and regulations in the region where we operate. During the Reporting Period, we strongly conducted safety inspection work, promptly examined and eliminated safety problems and investigated and rectified for potential safety hazards that may cause occupational disease. We continuously improved the environment for employees and reduced the risk of occupational diseases and safety accidents. Meanwhile, we require new staff to go on duty only after providing health physical examination reports, and provide each staff with appropriate labour insurance supplies, and conduct occupational health check-ups on a regular basis, while providing comprehensive protection for the occupational health and safety of employees in advance. The rate of occupational health and safety training before employment reached 100%, and the rate of protective measures also reached 100%. We also ensured that there was no food poisoning, no infectious diseases, no major epidemics, and the incidence of occupational diseases among employees was 0.

Environmental, Social and Governance Report

In response to relevant situations, establish a sound occupational health and safety guarantee system from multiple levels and aspects, implement the national laws and regulations on occupational health and occupational health protection, develop and improve the system of labour safety and sanitation, supervise and inspect the occupational health and safety facilities, and provide personal protective equipment in according to national regulations. Regular and irregular meetings on labour health security are held to study labour health security work, and timely propose reasonable solutions to hidden accident hazards and occupational hazards in construction and production, safeguard the safety and health rights of employees, and fully reflect the principle of “people-oriented” in construction and production.

青島高速公路股份有限公司濰城德平路段中心總事務所分中心
勞動保護用品發放記錄表

序號	姓 名	職 務	發放時間	發放地點	發放人簽字	領取人簽字	備 註
1	張志	司機	1月	濰城	王洪	張志	發放
2	張志	司機	1月	濰城	王洪	張志	發放
3	張志	司機	1月	濰城	王洪	張志	發放
4	張志	司機	1月	濰城	王洪	張志	發放
5	張志	司機	1月	濰城	王洪	張志	發放
6	張志	司機	1月	濰城	王洪	張志	發放
7	張志	司機	1月	濰城	王洪	張志	發放
8	張志	司機	1月	濰城	王洪	張志	發放



3.2.4 Safety Training

In 2021, the Company carried out safety education training for our staff at different levels and positions.

Centralised training for safety management personnel: With the adjustment of the Company’s structure, a number of full-time and part-time safety production management personnel have been added to the Company’s ownership units. From 11 January 11 to 15 January, the Company carried out a 5-day safety management personnel training. The heads of the safety management agencies and safety production management personnel of the Company and its affiliated units participated in the training. Content of the training included safety laws and regulations, group and company safety management systems, emergency plans, risk source identification and control, hidden danger investigation and governance, the establishment of “dual system” (雙體系), safety production management information system. All the participants passed the training and assessment, thus laying a solid theoretical foundation for the safety management.

Safety training for middle and senior management: In order to thoroughly study and implement General Secretary Xi Jinping’s important expositions on safe production, strengthen the concept of safe development, strengthen legal awareness, further enhance control of safety management, and continue to improve the Company’s safety management, on 23 August, the leaders of the Company, the heads of various departments and offices, the heads of all ownership units, and the leaders in charge of safety received training on the new safety production law and the amendments to the Criminal Law, as well as the analysis of typical cases in the same industry, and watched the propaganda film with the theme of “life is of paramount importance”.

Safety production education and training for all employees. According to the safety production work plan, the Company organised 7 safety trainings in 2021, while 25 safety trainings were organised by various departments and affiliated units. Training and assessment of all employees were intensified, the follow-up of the training process were strengthened, thus ensuring the quality of the training.

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On 10 September 2020, the Company replaced the filter type self-rescue breathing apparatus for 101 staff in the headquarters. In June and November 2021, a total of 40 employees in the Company headquarters were organised to carry out fire safety training and high-rise escape emergency drills, through which, they focused on learning the laws and regulations on fire safety, general knowledge of fire escape and skills of operating the filter type self-rescue breathing apparatus and common fire-fighting equipment.



3.3 Development and Training of Staff

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” (《人力資源管理制度》) as to staff evaluation, the “Remuneration Management Practices” (《薪酬管理辦法》) and the “Performance Evaluation Management Practices” (《績效考核管理辦法》), 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 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 (《人力資源管理制度》) 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.

Environmental, Social and Governance Report

In 2021, the Company has carried out 116 training sessions. The number of participants was 3,150. The total number of hours of training of the Group amounted to 13,922.5 hours and average training hours per person was 20.3 hours. The actual training expenditure was RMB672,900.

3.3.1 Toll Collection Training

The Company organised various toll stations to carry out training on toll collection services and the road clearance and rescue services, so that the tasks of all units is consistent with the standard regulations of the Group Company. The training content covers the Group's operation management methods of toll collection, various operating procedures of toll collection, operation documents of toll collection. After the training course, all units carried out targeted internal criticism and implementation works. The photo below shows the toll collection service training site of Liaocheng South toll station in May 2021:



3.3.2 Party Affairs Training

In order to “play the leading function of Party building and strengthen the root and soul of the Company’s development”, “Strengthen the Party’s Discipline and Regulations, and Strengthen the Education on the Party’s Purpose”, “Four Histories” Thematic Education Activity: Learning the Four Histories, Remain True to Original Aspiration, and Undertake the Mission”, “The General Secretary’s Interpretation of the Important Expositions on the Reform and Development of State-owned Enterprises and Party Building”, for leaders of the Company, middle-level personnel, Party members, and Party affairs workers to conduct Party affairs training and work exchanges around the deployment of the Party Committee of the Group Company and the annual key work arrangements of the Party Committee of the Company.



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CHAPTER IV ECOLOGICAL PRIORITY AND GREEN COMMITMENT

The Company has been pursuing the goals of saving energy and reducing consumption, reducing pollution and increasing efficiency, preventing pollution and continuous improvement. We strictly comply with domestic and overseas applicable laws and regulations, stick to the policy of ecological priority and green development and thoroughly implement the policies of low carbon and emission reduction. In 2021, we actively deployed the action plans of green development and continued to reinforce the whole-process management of environmental protection and kept developing clean energy. We fulfilled our corporate environmental protection responsibility in various aspects of energy conservation, improving the level of utilisation of resource, compliance with the relevant discharge standards and responding to climate changes to promote social green development. In 2021, there were no non-compliances with relevant environmental laws and regulations that have a significant impact on the Company.

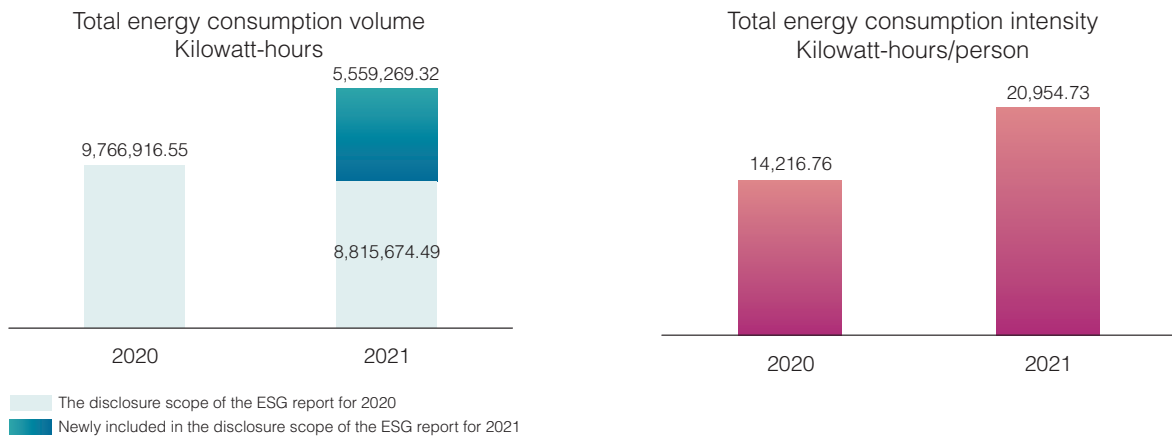
4.1 Efficient Utilisation of Resources

Resource optimization is critical for an enterprise to achieve sustainable development. To implement the energy conservation and consumption reduction effectively and in compliance with relevant laws and regulations, the Group formulated the Management System of Utilisation of Resources and Energy (《資源能源利用管理制度》) to strengthen the resource management of the Group after identification of laws and regulations in relation with resources conservation, including the Law on Circular Economy Promotion of the People's Republic of China (《中華人民共和國循環經濟促進法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Measures for Energy Conservation Review of Fixed Asset Investment Projects (《固定資產投資項目節能審查辦法》), The Measures for Energy Conservation Supervision (《節能監察辦法》), the Measures for the Administration of Industrial Energy Conservation (《工業節能管理辦法》), the Electric Power Conservation Measures for Key Energy-Consuming Units (《重點用能單位能源管理辦法》). The Company insists on the decision to adopt energy efficient fuel that is clean and eco-friendly and upgrade the combustion system, having fulfilling the energy conservation goal to decrease the fuel consumption from 8.1 L/t to 6.5 L/t, representing the energy conservation of 1.6 L/t.

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4.1.1 Energy management

During the 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 operations. Water resources mainly include water for domestic use and drinking water. In addition, at offices, the Company consumes office supplies, such as paper.



Volume and intensity of energy consumption of the Company

Type	2021	2020	Unit
Electricity	8,805,783.6	8,073,344.6	kilowatt-hours
Gasoline	88.84	57.46	tonnes
Diesel	127.01	83.84	tonnes
Natural gas	621,940	1,078	standard cubic metres
Total energy consumption volume	14,374,943.81	9,766,916.59	kilowatt-hours
Total energy consumption intensity	20,954.73	14,216.76	kilowatt-hours/person

- Notes:
1. Comprehensive energy consumption is calculated according to the national standard conversion factor of the General Rules for Calculation of Integrated Energy Consumption (《綜合能耗計算通則》)(GB/T 2589-2020) based on the consumption volume of gasoline, diesel, natural gas and electricity.
 2. During the reporting period, a subordinate company of Shandong Gangtong was newly included in the scope of environmental data disclosure based on the scope of environmental data disclosure for 2020 (Jinan Xinyue New Road Material Research and Development Company Limited). Shandong Gangtong was formally established and operated in April 2020. The various business of the Company hadn't been put on track until 2021.

Environmental, Social and Governance Report

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.

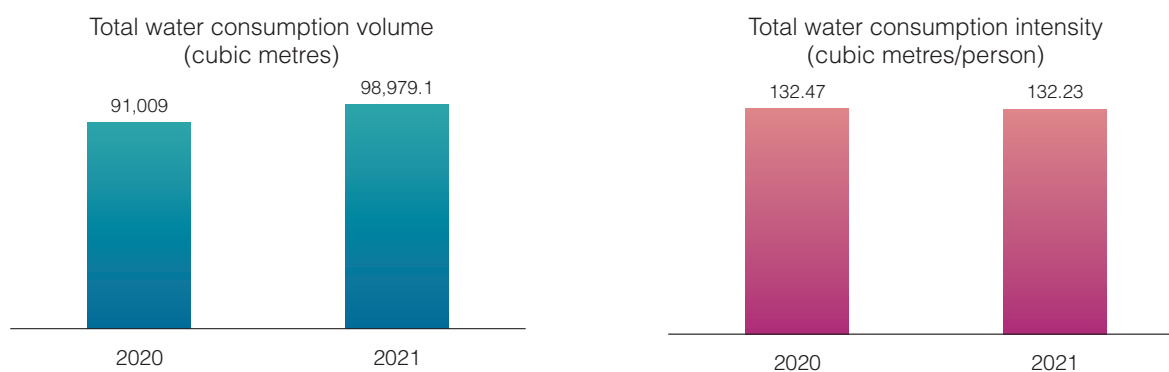
In order to use less paper, the Company adopts the OA system to build a paperless office for reducing paper consumption. For paper printing, if single-sided printing is not mandatory, we print paper on double sides as practicable as possible. For single-sided printed paper, we use the blank side for 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.

4.1.2 Water resources management

To practically implement water conservation, based on the actual conditions of the Company, during the year, we further amended various management measures for the conservation of water on which we would optimize and make the water conservation efforts more suitable to the actual conditions of the Company, and ensured the effective implementation of the measures to conserve water. Meanwhile, we regularly reviewed and summarised the water consumption efforts of the Company and continued to promote the measures of water conservation and timely made improvement in respect of any flaw in the measures to conserve water. We also conducted reinforcement management where we neglected to provide reliable basis to advance our future implementation of water conservation.

Water consumption volume and intensity of the Company

Type	2021	2020	Unit
Total water consumption volume	98,979.1	91,009	cubic metres
Total water consumption intensity	132.23	132.47	cubic metres/ person



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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 2021, there was no issue in sourcing water.

4.1.3 Raw materials consumption

Shandong Gangtong consumed raw materials including cement, gravel and asphalt in the course of production and operation during the reporting period, the consumption volume of which are shown in the table below:

Type	2021	2020	Unit
Cement	1,316.82	7,000.00	tonnes
Gravel	105,119.29	150,000.00	tonnes
Asphalt	1,890.73	2,000.00	tonnes

4.2. Emission Management

4.2.1 Solid waste

Hazardous waste discharged by the Company included the waste toner cartridges, waste ink cartridges, waste lamps, waste battery. The non-hazardous waste mainly included paper and domestic waste. For the hazardous waste such as waste toner cartridges and waste ink cartridges, the Company adopts a centralised approach to collect them for treatment. Domestic waste including food waste would be delivered to property company for treatment.

Type		2021	2020	Unit
Hazardous waste	Toner cartridges	214.3	249	kg
	Ink cartridges	71.5	51.5	kg
	Fluorescent lamps	77.7	72	kg
	Batteries	33	27	kg
Non-hazardous waste	Paper	6,821.5	5,630	kg
	Domestic waste	70,270	58,600	kg
	Bottom ash	/	5,000	kg

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Pollutants generated by Gangtong Co. mainly include non-hazardous waste such as domestic waste, construction waste and scraps. The construction waste and scraps generated during construction are 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, and observes the six 100% standards for construction sites in Jinan City, i.e. the excavated soil materials are fully covered, wet operation method is adopted by using water tankers and fog cannons in earthwork construction, transport vehicles are fully covered, 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's highway maintenance projects are outsourced to construction entities 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 transferred to the environmental hygiene authorities for centralised treatment.

After the adoption of the above measures, the solid waste generated from Shandong Gangtong's projects generally meets the objective of 100% safe disposal, ensuring basically no impact on the surrounding environment.

4.2.2 Exhaust emission

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 Gangtong Co..

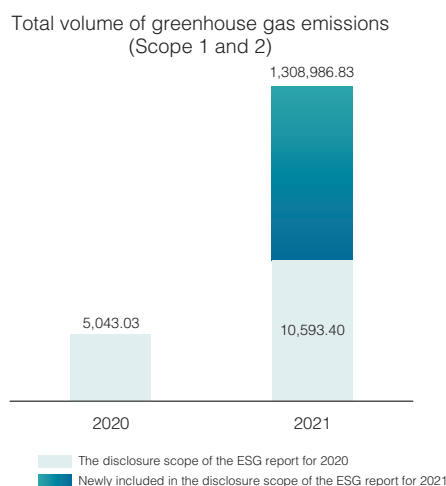
In strict compliance with the Management Practices of Qilu Expressway Company Limited for the Provision and Use of Business Vehicles 《齊魯高速公路股份有限公司公務用車配備使用管理辦法》, the Company reduces emissions of direct greenhouse gas and exhaust gas by lowering fuel and electricity consumption mainly through business vehicle management.

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Particulate matters generated from the mixing plants of Gangtong Co. arise mainly in the process of feeding materials during production. The Company has adopted water-stable production lines in a closed plant environment 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 equipment for gas exhaust has been included into the Jinan Gas Exhaust Pollution Prevention and Control Management System for Nonroad Mobile Machinery and obtained the registration number, with the body of the vehicle sprayed with equipment codes and positioning system installed, to enable the remote supervision by environmental authorities. According to the heavy pollution weather warnings notice issued by the environmental authorities, the entity strictly implemented the requirement on the operating time for machinery during the period when the warning is in force; the discharge standards complied with the national emission standards II or III for the air emission pollution of nonroad mobile machinery; the middle to small construction equipment has been upgraded from fuel powered models to electric tools; qualified fuel suppliers were selected for the engineering machines fuel to ensure fuel quality; old and worn machines are phased out. The Greenhouse gas (GHG) emissions intensity of Shandong Gangtong for 2021 was 0.28 t/RMB ten thousand. To further respond to the national policy, the plan of greenhouse gas emissions reduction for 2022 is formulated with an aim to reduce the greenhouse gas emissions intensity to the objective of 0.25 t/RMB ten thousand in 2022.

Type	2021	2020 Unit
Sulphur dioxide	153.60	1.55 kg
Nitrogen oxides	166.40	71.64 kg
Particulate matters	57.60	5.39 kg
Volume of direct greenhouse gas emissions (Scope 1)	1,300,692.67	149.21 tonnes carbon dioxide equivalent (tCO ₂ e)
Volume of indirect greenhouse gas emissions (Scope 2)	8,294.16	4,893.82 tonnes carbon dioxide equivalent (tCO ₂ e)
Total greenhouse gas emissions (Scope 1 and 2)	1,308,986.83	5,043.03 tonnes carbon dioxide equivalent (tCO ₂ e)
Intensity of greenhouse gas emissions	6.71	0.03 tCO ₂ e/RMB ten thousand

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Notes:

1. The 2021 emission of Scope 2 (electricity) is calculated based on the emission factors of the 2019 Emission Reduction Project baseline emission factor of China's regional power grid (Power Grid in North China) issued by the PRC.
2. The emission factors for 2021 Scope 1 (gasoline, diesel, natural gas) is calculated based on the 2006 IPCC Guidelines 《2006年IPCC清單指南》.
3. The information about sulphur dioxide, nitrogen oxides and particulate matters only included those of Shandong Gangtong.
4. During the reporting period, a subordinate company of Shandong Gangtong was newly included in the scope of environmental data disclosure based on the scope of environmental data disclosure for 2020 (Jinan Xinyue New Road Material Research and Development Company Limited). Shandong Gangtong was formally established and operated in April 2020. The various business of the Company hadn't been put on track until 2021.

4.2.3 Sewage

Each of the Company's toll stations has its own sewage treatment facilities. After the treatment, the sewage will meet the standard for discharge.

Waste water discharge	Unit	2020	2021
Waste water discharge volume	cubic metre	47,430	56,311

For Gangtong Co., the wastewater generated from the car washing stations at mixing plants is reused after sedimentation process in sedimentation tank. The sewage generated during production will go through the sink before being discharged from the drain tunnel. Simple and effective grease trap are set up for the canteens, and the waste water of the canteen will go through grease trap before being discharged. The daily management is enhanced to ensure regular grease removal and pollution prevention. Other inventory or objects are forbidden from being placed inside the asphalt depot, the floor and wall of the asphalt depot are processed with special leak-proofing treatment. Dedicated staff is arranged to handle the storage, usage and keeping of the asphalt depot, avoiding the leaking, seeping, dropping, discharge of oil to pollute the water body. Prior to the establishment of the sewage treatment plant in East Pingyin Development Zone, the waste water of bathroom was regularly processed by environment authorities of Pingyin County before discharge.

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4.2.4 Noise

Control of noise from human activities: Promote the civilised construction at construction sites, build an established control management system for noise from human activities, minimize noise from human activities, enhance the self-awareness of the overall construction staff to prevent noise disturbing residents, enhance the education of the construction workers, establish internal regulation and system, improve the reward and punishment measures, define the responsibility of construction staff, impose punishment on the conduct that violate with the regulation of the civilised construction, reward the individual with outstanding performance, prohibit noise including yelling and knocking that is irrelevant to the construction.

The control of hours of loud operations: Arrange construction crafting in a scientific and reasonable manner. The hours of loud operation conducted in the areas with a high density of population should be strictly controlled and arranged to be conducted after 6:00 AM for morning operation and before 10:00 PM for evening operation. Under special circumstances when continuous operation or night-time operation are needed, measures to reduce noise should be taken, communication with nearby residents should be undertaken in advance, and reporting to and filing with relevant competitive department should be made before the construction starts.

Measures to reduce noise generated from machinery that generate intense noise: Finished product, semi-finished products processing, manufacturing (such as mortar mixing and manufacturing steel bar) that involves loud noise should be operated inside the plant and workshop to reduce the noise generated from the processing and production in the construction site. If possible, use construction machineries that generate relatively low noise or construction machineries that are equipped with device to mute or reduce noise. Machinery generating intense noise at the construction site (such as blenders, electric saws, electric planers, and grinders) must be modified with sealed mechanical sheds to reduce the spread of intense noise. All those loud machineries should be kept away from residential area and necessary noise reduction facilities should be established, such as noise-proof walls and sealed sheds to reduce the impact of the construction on nearby areas as much as possible.

Enhance noise monitoring of the construction site: Enhance the long-term supervision of the noise in the environment of the construction site, adopt the principle of specialized staff management and fill the sheet of noise measurement record according to the results of measurements of the construction site. For those that exceeds the standard of Noise Limit of Construction Site 《施工場界噪聲限值》, the relevant factors contributing to the noise of the construction site exceeding the standards should be adjusted in a timely manner until it meets the purpose that the noise generated from the construction does not bother the nearby residents.

Environmental, Social and Governance Report

4.3 Ecological Environment

4.3.1 Construction plans with environmental protection in mind

During the transportation of milled materials, the required coverage should be ensured to prevent leaking and fugitive dust to pollute the expressway or cause pollution along the roads. The occupation of farm land due to piling lands for milled materials should be reduced as much as possible and the location should be far away from source of water and farming plants. The fields should be hardened to avoid fugitive dust.

During the stages of construction, the aggregates (mainly stone powder and ore powder) should be covered to control dust pollution. The domestic waste, construction waste should not be littered to protect the slopes and central reservation of the expressway and the residential area along the roads from being polluted. Strictly control the emission of construction waste fluid, waste residues and waste gas, enhance the inspection of construction machineries to avoid oil leaking and consequent environmental pollution. Prohibit discarding garbage, waste materials on the slopes and the central reservations. The slopes and the central reservations should be cleaned on daily basis during the construction to ensure the tidiness of the surface of the road. Carefully clean the garbage along the roads and collect the domestic waste for centralised treatment. During the process of road surface cleaning, adopt the equipment that is installed with dust-removal equipment to reduce the fugitive dust pollution.

Reduce the emission of hazardous gas to avoid the damage to the plants of the green belts and prevent the heat wind generated from the heating recycling process from damaging the plants of the green belts. To protect the slopes from rain flushing, the Company transform the kerbside drainage system along part of the Pingyin South and Dongping sections from decentralised to centralised system.

During the construction process, formulate water and soil conservation plan, take prevention measures before the construction that would break the lands, and restore the damage caused by the construction after the construction completes to avoid additional water and soil erosion. The construction activities involving damaging forest, fields and transforming primitive slope into cultivated land, shall be forbidden in the plans. The waste water, domestic sewage generated from the construction is not permitted to be discharged into farm land, cultivated land, ponds, gust and rivers directly before the process of sinking treatment and filtration with filter, after which, it would be allowed to be discharged into the designated location. The machine oil waste should be collected and treated in a centralised manner. Discharge, littering that would pollute the environment without permission is forbidden.



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4.3.2 Landscaping and greening

The Company did not engage in any new landscaping and greening improvement or reconstruction projects in 2021, apart from some daily maintenance work. The investment in landscaping and greening and maintenance amounted to RMB3,218,600, among which, the investment in seedlings pruning amounted to RMB1,079,000, the investment in grass removal of slopes and road shoulders amounted to RMB2,091,100 and the investment in seedling replanting amounted to RMB48,500.



4.4 Climate Change

In response to the challenge of climate change, the acceleration of the transformation towards low-carbon economy has become the goal the PRC government as well as many other the countries around the world. Under the background of the goal that China endeavors to secure the carbon emissions to peak before 2030 and make its efforts to achieve carbon neutrality before 2060, Qilu Expressway actively implements the sustainable development concepts of green and low-carbon operation and responds to the climate change.

Extreme weather conditions caused by climate change would lead to traffic accidents and significant casualties and property damage. In the most severe events, the road might be blocked or even the traffic might be paralysed. While responding to extreme weather, accidents including vehicle injury, mechanical injury, object strikes might happen and the lives of our staff might be threatened. Qilu Expressway highlights the risk brought by climate change and extreme weather, and the risk management is included into the daily management of the Company.

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Identification of Climate Change Risks in 2021

Physical Risks

- The technology involved in road construction is complex. The construction quality is affected by the weather such as heavy wind that could affect the project quality.
- Extreme weather-climate events such as thunderstorms, rainstorms, hail and clear-air turbulence occur frequently, which will lead to greater variation characteristics of severe weather and affects driving safety.
- An earthquake would damage the facilities in the plant, which may cause secondary disasters such as explosion and fire.

Transformation Risks

- In 2020, China proposed to achieve “carbon neutrality” by 2060, which may derive policy requirements for energy conservation and emission reduction.
- In order to achieve the long-term goal of the average temperature of the Paris Agreement (《巴黎协定》), governments will implement various policies and regulations, and capital markets and industry associations will follow up, which will bring potential policy and standard compliance risks.
- As the world pays more and more attention to the risk of climate changes, enterprises with high energy consumption, heavy pollution and low social responsibility may face public reputation and public opinion risks.
- Energy technology innovation incurred by carbon reduction may force the transformation and upgrading of the Company’s existing business, which will lead to technical risks and operational risks.

In line with the requirements of the notification of the Department of Public Security and Department of Transportation of Shandong Province on coping with extreme weather conditions, we have formulated an emergency plan for bad weather conditions such as heavy fog, ice and snow and strong winds, and extreme weather conditions that affect visibility such as sandstorms and heavy rains. Moreover, we have further enhanced collaboration with meteorological department, traffic police and other departments. The emergency equipment and management mechanism of each section management office are improved and employee emergency response trainings are strengthened to cope with these challenges. Smart technologies such as 5G and big data are applied to develop information release channels and timely release road condition information. In addition, we have upgraded the lighting equipment and electromechanical devices in our service areas to improve energy efficiency and further reduce the impact of our business operations on climate. More environmentally-friendly materials and energy-saving technologies are applied in the maintenance process to reduce carbon emissions and the negative impact on the environment.

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Case No.1: Flood prevention drill

On 29 September 2021, to further strengthen the implementation of emergency plans and protection measure, enhance the capability of the entire staff to respond to emergent events in flood prevention and educate the project management personnel and operation classes to correctly, accurately and swiftly deal with emergency in flood prevention. Shandong Gangtong organized and operated an emergency drill of flood control and prevention on the emergency roads for the prevention of floods from the Yellow River (Jinshui-Yushan).

The drill was to ensure our staff responsively, efficiently, and orderly retreat from the impacted area in a safe manner and secure the flood prevention, the rescue and disaster relief in the event of heavy rain and flood emergency. Through this drill, both the emergency reactivity and the awareness of disaster prevention and protection of the overall staff was enhanced. Once in confrontation with disaster we could organize the crowd to evacuate safely, swiftly and orderly, so as to minimize the loss caused by flood and protect the safety of the lives and property of the Company.



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Case No.2: Snow removal to ensure smooth and safe road

Shandong Gangtong established the 2021 daily maintenance works of Jihe Expressway, emergency response project, the team leader of which is undertaken by the designated leader while the deputy team leader is undertaken by the assistant to general manager and the members comprise the responsible personnel of project departments and various stationed troops. To the leader team the subordinate office was established. The office was established in the project department of 2021 daily maintenance works of Jihe Expressway. We adhere to the concepts of safety first, on-alert, prevention rather than cure and responding in a scientific manner; we also insist unified leadership, differentiated regulation, territoriality, connection and cooperation in association system; we persist in the operational mechanics including explicit duty and responsibility, regulation and order, cooperation across departments, sharing resources.



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CHAPTER V CONSISTENCY IN SERVICE QUALITY AND WIN-WIN SITUATION THROUGH MUTUAL SUPPORT

Quality and safety of products and services are the direct presentation of corporate image, the profit-making essence on which our long-term development rely, as well as the requisites which the brand reputation is conditional on. The Company highly values the safe operation of its expressways under management and customers' feedback on them. The 24-hour hotline of Qilu Expressway is as follows:

Jihe Operation and Management Center: 0531-87367878

Deshen Operation and Management Center: 0635-7220111

5.1 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, 12 integrated and special safety production systems, namely the "Safety Production Management Practices" 《(安全生產管理辦法)》, 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 "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 "Measures for the Administration of Network Security" 《(網絡安全工作管理辦法)》. The "Guide to Contingency Plans" 《(應急預案匯編)》 was also amended as to include 1 integrated contingency plan and 10 special contingency plans.

5.1.1 Security Risk Management and Control

The security risk management and control, governance system of hidden hazard examination and elimination and relevant rectification measures of the Company in 2021 are as follows:

Security risk prevention and control

The Company established a risk points screening and elimination mechanism under which we identify points of hazards as least on an annual basis by all-round and whole-process inspections of production process, equipment and facilities, operating environment, personnel behavior and management system. The Company organised 6 hazard point identifications this year and mitigated 345 points of hazards.

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The Company formulated a security risk identification and evaluation system. Based on the result of risk examination and the actual needs, the Company scientifically developed security identification procedures and methods under the Rules for the Classified Management and Control System of Work Security Risks for Enterprises in the Highway and Waterway Industry (DB37/T 3138-2018), and made qualitative and quantitative evaluation, classification and collection on the identified security risk points, so as to determine the risk level and implement dynamic classified management.

The Company set up security risk management and control system. Based on the risk assessment and the result of risk element identification, we has prepared the list of risk classified management and control, stating the management and control measures and determining management and control responsibilities, in order to effectively manage and control security risks in terms of engineering technology, management measures, training and education, individual protection, and emergency response.

The Company established security risk warning and reporting system. Based on the level of risk of different risk points, the Company deployed 8 new safety risk bulletin boards in conspicuous locations and key areas respectively, and set up 83 post-related security risk warning boards to ensure that every employee can be able to master the basics of safety risks, prevention and emergency measures.

Hidden hazard examination and elimination and relevant governance

In 2021, the Company continued to refine its hidden hazard examination and elimination and related governance system, and regulating the grading, classification, examination and elimination and governance standards by generally adopting the Rules for the Examination and Elimination and Governance System of Hidden Hazards of Production Safety Accidents of Enterprises in the Highway and Waterway Industry (DB37/T 3139-2018). The Company improved 206 on-site management-related hidden hazard examination and elimination and control points and 38 basic management-related hidden hazard examination and elimination and control points, and established Hazard Checklist by business based on the existing "Hidden Hazard Database" to determine what and how to check.

On the sound basis of 100% installation and use of app "Snapshot" (隨手拍) for hidden hazard-related purpose, the Company kept promoting the use of "Snapshot", reported and rectified 39 hidden dangers in an effective manner and granted incentives for reporting of RMB19,000, so as to enhance the participation of all staff in the examination and elimination and management of hidden hazards in a well-established operating environment.

Patrol management

All personnel performing road inspections must wear reflective vests during inspections, and equip themselves with shoulder lights, flashlights and other lighting equipment during night inspections, and enable the road inspection function in the APP "Smart Brain" (智慧大腦).

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Operation Control and Command Centre	Inspections are conducted every 2 hours from 7:00 to 19:00 during the daytime and every 4 hours from 19:00 to 7:00 next day by taking use of the whole-process monitoring system, and no less than 9 inspections are conducted each day. The time for video-based inspections is reasonably allocated and each inspection cover key sections of the road network under the Company's management, including important hub interchanges, key toll stations, key road sections prone to congestion, special sections of bridges and tunnels, junction sections, etc. The frequency of inspections is appropriately increased during severe weather, festivals, holidays and other important periods.
Operation and Management Centre and Control Centre	Inspections are conducted every 2 hours from 7:00 to 19:00 every day and every 4 hours from 19:00 to 7:00 next day by taking use of the whole-process monitoring system, and no less than 9 inspections are conducted each day. The time for video-based inspections is reasonably allocated and each inspection cover the road network under the Company's management. The frequency of inspections is appropriately increased during severe weather, festivals, holidays and other important periods and on key road sections such as important hub interchanges, key toll stations, key sections prone to congestion, special sections of bridges and tunnels, the junction between the operation and management control units.
On-road Inspection	A combination of on-road inspections and video-based inspections was implemented. Road management personnel take on-road inspections no less than twice a day, with no less than 2 people at a time. The frequency of inspections is increased in bad weather.
Toll Station Inspection	No less than two inspections are mainly conducted by the toll station with a focus on the inner and outer squares of the toll station, the ramps of the toll station, the extension lines outside the toll station and the intersections of local roads (If the distance between the extension lines outside the toll station and the local road intersection is within 200 meters, the inspection would cover the scope of the local road intersection, otherwise, the inspection would be extended for 200 meters from the center line of the toll island.), and the main line of the road was inspected. Any congestion in the area within the toll station should be reported in a timely manner and dispersion measures will be taken immediately.
Maintenance Inspection	The maintenance unit is mainly responsible for inspection not less than once every day, with a focus on, but not limited to the integrity of bridges and tunnels, road appearance, road slope cleaning, guardrail and signage hardware facilities, etc. Any abnormality should be reported in a timely manner and appropriate measures should be taken immediately.
Electro-mechanical Inspection	The information electromechanical unit was mainly responsible for inspections no less than once a day, with a focus on but not limited to toll collection systems, monitoring systems, communication systems, and variable information boards in the main roads, ramps, and toll booth areas. Any abnormality should be reported in a timely manner and appropriate measures should be taken immediately.

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Response to Emergency and Guarantee of Smooth Traffic Flow

In 2021, Jihe Operation and Management Centre organised 6 emergency drills, namely summer flood control emergency drill, winter snow removal and skid-resistant emergency drill, smoothness guarantee emergency drill, bridge accident emergency drill, power outage emergency drill and firefighting emergency drill; issued 1 flood warning, dealt with 271 water damages with the cost of RMB463,300, for which we arranged our staff for 7 shifts on duty to deal with the emergency; and issued 1 level I and 1 level II snow removal and skid-resistant warning, for which we arranged 940 sets of mechanical equipment, 540 staff and snow removal and skid-resistant funds of RMB373,400 as well as 2 shifts on duty.

Deshen Operation and Management Centre organised 4 emergency drills, namely smoothness guarantee emergency drill, emergency drill in response to traffic interruption on bridges, flood control and rescue drill, and snow removal and skid-resistant drill; issued one flood control warning, one level IV early warning and dealt with 3,892.692 cubic meters of subgrades and slopes suffering water damage with the cost of RMB297,000, for which we arranged our staff for 2 shifts on duty to deal with the emergency; and issued 2 snow removal and skid-resistant warnings in which 2 level IV warnings, for which we arranged 39 sets of mechanical equipment, 191 persons and snow removal and skid-resistant funds of RMB107,000 and 2 shifts on duty.

The maintenance and road clearance branch of the Deshen Operation and Management Centre organized the repairment of 2 emergency maintenances at bridges. Deshen Operation and Management Centre identified during inspection that there were cracks in the special-shaped steel of the expansion joint of both the Weishan Sanganqu Bridge of Deshang Expressway and Beijindihe Bridge. In order to ensure the safe use of the bridge structure and driving safety, the center immediately organized emergency repairs over the cracks occurred to the expansion joints to eliminate potential safety hazards and ensure safe operations of the bridges.

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Case: Winter Snow Removal And Skid-resistant Emergency Drill by Deshen Operation and Management Centre

In order to cope with the severe rain and snow weather in an effective manner, comprehensively improve our capability to respond to ice and snow weather on expressways, minimize social and property losses caused by ice and snow disasters, and ensure the safety and smooth traffic flow on expressways in winter, in the afternoon on 4 November, Deshen Operation and Management Center, together with the traffic police, road administration and maintenance and rescue authorities in the jurisdiction, organised an emergency drill for winter snow removal and skid resistance in the northern area of the Shenxian tollway rest area along the Shennan Expressway under the requirement of the Company on winter snow removal and skid resistance.

The drill involved more than 30 personnel, as well as 10 multi-functional snow removal vehicles, transport vehicles and support vehicles. The heavy snow scene on Shennan Expressway was simulated at the real exercise. Deshen Centre launched an emergency plan for snow removal and skid resistance whereas the maintenance and obstacle clearance sub-center responded quickly by using snow melting agent and multi-functional snow removal vehicles to conduct the snow removal operation in the road, and simulated the response measures after the traffic accident occurred. The whole drill succeeded in achieving the expected results in terms of swift response, explicit division of responsibilities, seamless transition of work, responsiveness and smoothness.

The drill further enhanced the joint engagement and mobilisation of each unit, and improved the emergency response capability of the maintenance and rescue team, laying a solid foundation for snow removal and skid-resistant work in winter.



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The Company kept on optimising and upgrading the alert system by using the existing surveillance system 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 in case of special incidents. The upgraded system is able to detect and judge road congestion and upon the occurrence of a special incident, the designated 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 extent 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 detect various meteorological indicator data. Through data analysis, the equipment can issue 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.



The operation control and command centre dispatches resources in emergency events such as accident handling and emergency rescue in real time through the “Smart Brain” software without systematic error rate. It also checks the site in real time through surveillance video. It is required under the system that the road management personnel shall arrive at the site 20 minutes after receiving the notice, and complete the processing of a general accident within 30 minutes. The system records the entire event processing in real time and forms an event record.

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Road Chiefs' Joint Engagement Mechanism

In order to firmly fulfill the ideology of taking whole road management as a game of chess (全路一盘棋) and enhance the overall awareness, taking "internal cooperation and external engagement" as the starting point, and following the principle of "sound institutions, clear responsibilities, strict implementation and stringent result-oriented materialization", the Company establishes a featured, institutionalized, systematic and normalized "Road Chief" working mechanism to strictly fulfill the responsibilities of each step and strengthen its management and control capabilities of road operations. The mechanism stipulates the duties of the road chief system, grid management mode, information aggregation and dispatching and other business contents, and is applicable to all operation and management centres of the Company. Each operation and management centre reasonably specifies the responsibility scope of road chief, section chief and grid chief under the requirements, so as to ensure continuity of work without suspension, alternation or overlapping, and that persons in charge take the responsibility correspondingly.

Road Chief	Section Chief	Grid Chief
<p>The road chief is assumed by the person in charge of each operation and management centre, and it is divided by areas under the management of each centre. The chief is fully responsible for the maintenance of the road appearance, road smoothness guarantee, electromechanical operation and maintenance, toll collection safety management, operation and dispatching and command and other work in the unit; the chief also organizes and motivates various departments to cooperate with each other; he/she also communicates and coordinates with external parties, including expressway traffic police, local traffic police, adjacent transportation management units, etc.</p>	<p>The section chief is served by the deputy director or director (as case may be) of each operation and management centre, and is responsible for detecting, dispatching, tracking, and handling of accidents affecting road appearance, traffic safety, and various emergencies under management; responsible for further rationally dividing the area under management into several grids, and determining the management scope and responsibilities of each grid chief, so as to ensure continuity of work without suspension, alternation or overlapping.</p>	<p>The grid leader is assumed by the middle-level management of each operation and management centre, and is responsible for the inspection and following up of processing of abnormal accidents in the grid; supervising and implementation of the inspection according to the plan, summarizing and analysing the problems found in the inspection process, and timely giving feedback to relevant responsible department for rectification, so as to keep improving the inspection effect.</p>

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Innovative Services

Relying on the R&D centre of innovative toll collection service of Liaocheng South Toll Station, the Company organised 5 scientific and technological innovation services in total mainly in terms of service excellence and safety, namely winter heater duty station, road electronic guide signs, highway high-pressure washing devices, summer duty retractable awnings and special vehicle intelligent reminders. The Company's investment in science and technology amounted to RMB869,000 during the year.

The Company issued the Administrative Measures for the Operation and Use of the Information Electromechanical Systems of Qilu Expressway Company Limited based on the duties and work needs of the department. The Company completed the construction of the access points of Jihe Operation and Management Centre and Deshen Operation and Management Centre for the Shandong Expressway Video Cloud Networking Project, and connected video images such as toll plazas, road monitoring, and mobile video surveillance to the provincial cloud platform, realizing networking and video resource sharing among the ministry, the province and the operation units.

In order to satisfy the Company's production needs and keep abreast of the production and operation status of each operation and management centre, the Company integrated the production monitoring images of Jihe Operation and Management Centre and Deshen Operation and Management Centre into a unified monitoring platform to optimize monitoring resources.

5.1.3 Smooth and Orderly Road Maintenance

The Company's investment in maintenance in 2021 amounted to RMB37,813,600, including investment in minor repairs of RMB20,313,200, investment in maintenance special projects of 14,785,000 and other of RMB2,715,400, namely building reinforcement of Shenxian North Toll Station, new-built material warehouse and expansion joint repair of the maintenance and clearance sub-centre. During the construction of the expressway maintenance project in 2021, the Engineering Maintenance Department performed some technological innovations by applying a number of new materials and new technologies, which ensured the quality of the project while achieving technological innovation.



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Micro-surface construction technology

Micro-surface is a thin slurry mixture of polymer modified emulsified asphalt, coarse and fine aggregates, fillers, water and additives at a designated ratio mixed by special mechanical equipment and spread on the original road, with high slip resistance and durability properties that will soon open to traffic.

The micro-surface mainly has the following technical advantages:

1. High anti-skid performance, suitable for pavement with heavy traffic load;
2. Fast opening to traffic: the length of the time for opening to traffic of micro-surface varies depending on the environment where the project is located. It can usually open to traffic within 1 hour when the temperature is 24 °C and the humidity is 50% or less;
3. It has a good sealing effect to prevent water seepage and protect the pavement structure;
4. It can be used for rut filling: the ruts below 15mm on the road surface can be directly covered with micro-surface; ruts with a depth of 15mm to 25mm should be filled with micro-surface first, and then covered with another micro-surfaces, or be treated with double-layer micro-surfaces; ruts with a depth of 25mm-40mm should be filled with multi-layer micro-surface ruts first; and ruts above 40mm is not suitable for micro-surface treatment;
5. Subject to stable roadbed and pavement structure, the service life can reach 2 to 4 years. Before micro-surface construction, the soil and sundries on the original road surface should be thoroughly removed, and the pits and depressions should be repaired. The wider cracks should be cleaned and filled. The minimum temperature for micro-surface construction shall not be lower than 10 °C and no micro-surface should be performed at rainy days. The mixture that has not yet been formed after paving should be removed if it encounters rain. However, there is a period of time between the investigation of pavement disease and the maintenance and construction, and the degree and depth of the disease may deepen and aggravate over time. As such, after it enters the site and close the traffic, the construction unit should conduct a detailed investigation and record of the road surface diseases, make appropriate treatment based on the actual rut depth, fill the cracks with the original pavement width greater than 5mm and thoroughly excavate and repair the local damage of the original pavement (such as potholes, looseness).

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In-situ heat regeneration construction technology

Hot-in-Place recycling process refers to using the hot-in-place recycling unit to heat and loosen the diseased asphalt concrete pavement, and then restore the aged asphalt performance by adding a specific proportion of rejuvenating agent, or at the same time add a certain proportion of hot asphalt based on the oil-stone ratio of the original pavement asphalt mixture, to improve the original pavement asphalt mixture and achieve the best oil-stone ratio state. Then, a certain proportion of new asphalt mixture is added to the original pavement material during the regeneration construction to optimize the mix ratio of the original pavement mixture. Finally, the remixed recycled asphalt mixture is spread on the road surface and compacted, so that the recycled asphalt mixture layer and the middle layer of the original road surface are thermally bonded to form an integral plate.

The process integrates heating, regeneration, paving and other functions, and the construction is convenient and fast, with little impact on traffic, and realizes the integration of maintenance equipment; the equipment involved has great mobility which reduces vehicle congestion and is safer; the recycling of pavement materials can reduce waste and new materials consumption, protect the environment and save resources. The construction unit is also equipped with road inspection vehicles, which can detect road-related indicators using the intelligent road detection system, form a road condition map taking use of the detected data, complete various technical condition assessment reports and establish a road maintenance analysis platform, which can provide effective quantitative and scientific basis for road condition investigation, survey and design, maintenance decision-making and so on.

Polymer grouting technology

The basic principle of polymer grouting technology is to inject two-component polymer materials, being special resin and hardener, into the foundation at a certain ratio. After the two materials are mixed, a chemical reaction occurs, and the volume expands rapidly and forms a foam-like solid, so that the purpose of filling the void and strengthening the foundation is achieved.

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The polymer material does not contain water, does not dry shrink, and can be densely filled and voided. The material formed by polymer grouting has good flexibility, relatively close tensile strength and compressive strength. It is not easy to crack and has good impermeability as it is an elastomer, which can stop rainwater seepage.

Unlike traditional maintenance and repair methods, the polymer grouting maintenance technology applies GPR non-destructive testing technology to quickly detect road sections, comprehensively analyze the quality of the subgrade and pavement, and scientifically diagnose the cause of the damage. On this basis, high polymer grouting technology is used to carry out targeted maintenance to achieve the purpose of curing damages. It can quickly and simultaneously treat base layer void, sub-base layer void (and accumulated mud), seamed subgrade and blocked cracks. Compared with schemes such as excavation or additional paving, the project cost is significantly reduced. Polymer grouting has high construction efficiency and does not require maintenance, which greatly saves construction time and reduces traffic interference. The polymer grouting technology makes full use of existing resources and is conducive to environmental protection.

5.2 Customer Feedback

5.2.1 Complaint Handling

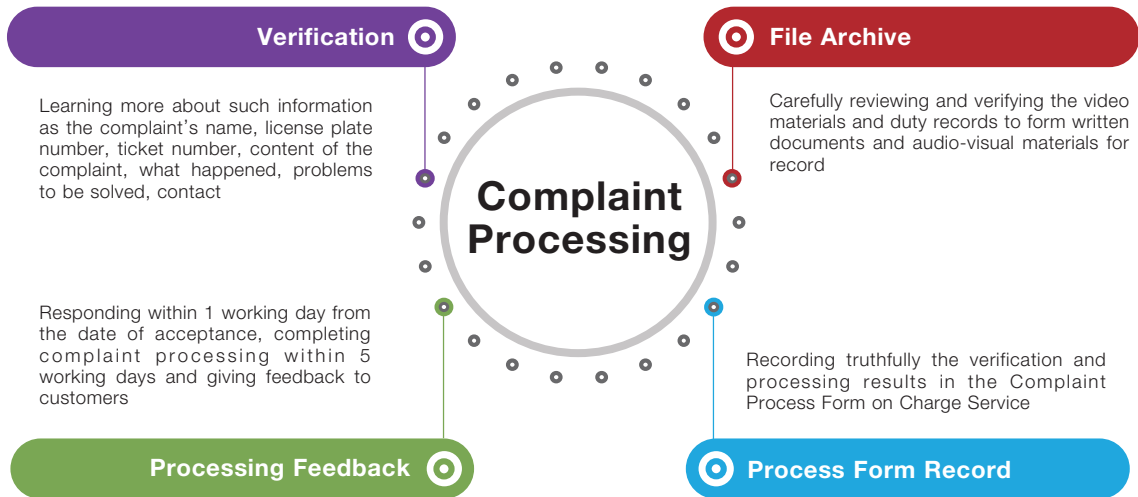
The Company has set up complaint hotlines respectively in Jihe operation and management center and Deshen operation and management center to provide compliant channel for the customers. The complaint hotline of Jihe operation and management center at 0531-87367878; the complaint hotline of Deshen operation and management center at 0635-7220111.

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. Since the date of the complaint, the complaint should be responded to within one business day and the complaint should be handled within five business days. The processing opinions should be feedbacked to the customer. Carefully record the results of handling and properly keep the handling record.

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In 2021, we accepted 66 complaints, including 25 complaints about fee charges, 15 complaints about blacklisting and greylisting issues, 11 complaints about service attitude, 6 complaints about Green Pass, 5 complaints about ETC and 4 complaints about roadblock tire blowouts. All of the above complaints have been properly addressed.

In accordance with the Measures for Processing Complaints about Charge Service of Qilu Expressway Company Limited, complaints should be processed by learning about such information as the complainant's name, license plate number, ticket number, content of the complaint, the occurring process, problems to be solved, contact; carefully reviewing and verifying the video materials and duty records to form written documents and audio-visual materials for record; and recording truthfully the verification and processing results in the Complaint Processing Form on Charge Service. For the complaints forwarded to the transportation management centre, we also keep updated and collect processing opinions and results for feedback in a timely manner, to enable the complainant to be satisfied with the processing result.



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5.2.2 Satisfaction Investigation

Customer is the drive of the development of the Company, we always highlight the service awareness of centralizing and focusing our customers. We attach importance to and fulfill our commitment to our customers. We established highly efficient communication channel and track the service during and after the course of selling and we spot issues and deficiency, obtain our customers' satisfaction level of the service in a timely manner. We adjust the service method according to arrangement and enhance our service quality, improve our service procedures.

The customer satisfaction investigation takes the form of online QR code survey. We design items for assessment according to actual situation in every year. Recently the major indicators we set up are regarding toll facility, order of the toll station area, the image and the service attitude of our toll collectors and recommendation of our customers. The satisfaction level of our customers reached over 96%. Among others, Jihe operation and management center conducted customer satisfaction investigation for 30 times in 2021.



5.2.3 Smile service

Toll collector make the gesture of “Nods twice with five straight fingers side by side and an acknowledging smile” during the toll collection.

When welcoming and sending vehicles, salute each time by nodding and look at the driver's face, when the driver faces the toll collector, the toll collector immediately look back to the driver's eyes, chin slightly up, then nod down, with natural feeling flowing out, to express friendliness.

When welcoming the car, the action of raising the hand begins when the vehicle enters the lane with two meters away from the window. The arms form 70-80 degrees against the window edge or horizon, palm facing the passing vehicle, fingers naturally stretching, five straight fingers side by side. When receiving or handing over the card, ticket or cash, use the thumb to clench the card, ticket or cash on the palm that is facing upward or press the thumb against the four fingers clenching slightly.

Toll collector always maintains a sincere, friendly, natural, and heartfelt smile in the course of the service to release the cold distance with the drivers and passengers. When smiling, the corners of the mouth are slightly upturned to proper extent, and the smile is not exaggerated, not pretentious, not deliberate, or forced.

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5.2.4 Toll free service

5.2.4 Toll Free Service

The Company has formulated the Management Measures for Exempted Cars under Toll-free Policies to strictly implement the state and province department's relevant regulations on exempted cars under toll-free policies to regulate the management of exempted cars under toll-free policies and ensure the implementation of all the favorable policies and service methods.

Toll-free service applies to exempted cars under toll-free policies, such as fresh agricultural product carriages (being "Green Lane") and cross-region agricultural machinery transportation vehicle. The toll station under our management provides convenient and high-quality services to exempted cars under toll-free policies to ensure their safety and swiftness. The accumulative exempted toll fee for 2021 was RMB62.822 million.

Subject to Exemption	per vehicle	Exempted Amount (RMB ten thousand)
Army vehicles or Armed Police vehicles	5,205	16.74
cross-region agricultural machinery transportation vehicle, combined harvesters (including rice transplanter)	7,218	309.96
Holiday and festival	1,799,874	No statistics
fresh agricultural product transportation carriages and green lanes vehicles	68,737	5,942.52
Disaster rescue	638	7.75
Vaccines	674	5.23
Total	1,882,346	6,282.2

5.3 Investor Relationship

Qilu Expressway has established a sound two-way communication mechanism for investors. Through online and offline channels such as on-site communication, video conference, subscription by email, and telephone hotline, it can understand in an in-depth manner the focus and demands of investors, and enhance deeply and broadly corporate governance information disclosure. In addition, the Company pays attention to sound interaction with the media, develops information disclosure channels, and ensures that the Company's disclosed information is transmitted to the capital market as soon as possible, so that investors can be accurately informed of the updates of the Company. In addition, the Company maintained and strictly implemented the cash dividend policy to protect the legitimate rights and interests of investors, and has a stable investor base and well-established market reputation in the capital markets at home and abroad.

In 2021, the Company published 70 announcements in relation to temporary major events simultaneously at home and abroad in accordance with statutory disclosure requirements.

Environmental, Social and Governance Report

5.4 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 2021, the Company organised eight student financial assistance campaigns, 21 public welfare volunteers activities, 7 activities about learning from the spirits of Lei Fang, 5 volunteer services to greet elder party members, 6 services to assist the elderly and the poor, 2 public welfare promotions and 1 blood donation activity.

Case 1: Offering Students Financial Assistance in Golden Autumn and Bring Concrete Benefits for the Masses



On 29 September, comrade Yang Weidong, secretary of the party branch of Pingyin South Toll Station, led all party members and 5 representatives of the masses to Datiangong Kindergarten in Xiaozhi Town for the party day activity themed “Offering Students Financial Assistance in Golden Autumn and Bring Concrete Benefits for the Masses “. In light of the actual conditions of the kindergarten, the party branch donated 30 basketballs and 30 boxes of watercolor pens to the kindergarten to help with the teaching activities and support the growth of children.

Case 2: Advocating Low-carbon Lifestyle and Resources Conservation, Vigorously Promoting Trash Classification and Contributing to the Urban Development of Pingyin City



On 18 March 2021, the party branch of Pingyin Toll Station organized some party members and young volunteers of the toll station, as well as volunteers from Jindong Community in Pingyin County to conduct public welfare volunteer activity in promoting garbage classification in Kangqiao Community in Luzhong County. The activity enabled the residents of the community to have a understanding of garbage classification, and was well received by Jindong community. It showed the responsibility and mission of the party branch of Pingyin Toll Station as a party branch of state-owned enterprise, and contributed to the urban development of Pingyin City.

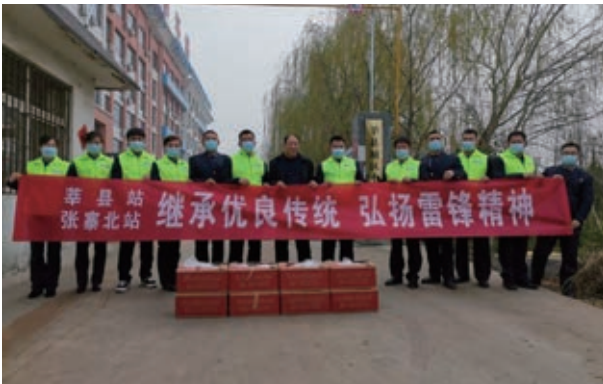
Environmental, Social and Governance Report

Case 3: Promoting Chinese Traditional Virtues and Caring for Poor Families



In the afternoon on 8 February, a group of 4 members from Xiaoli Party Branch went to Changzhuang Community, Xiaoli Town to carry out the party day activity themed "Promoting Chinese Traditional Virtues and Caring for Poor Families", and offered essential items and holiday greetings to families in need in the community, through which the general public were able to feel the warmth and care of the party branch by fulfilling the role of grassroots party building and persistently taking the mass line.

Case 4: Inheriting the Fine Tradition and Carrying Forward the Spirit of Lei Fang



On 15 March, party members and volunteers from Shenxian Toll Station and Zhangzhai North Toll Station jointly organised the voluntary service activity to learn from Lei Fang, which guided party members and cadres to consciously practice the core socialist values, do more good deeds, and take the lead to promote unity, friendship, mutual assistance and harmony in the society.

Environmental, Social and Governance Report

Case 5: Remaining True to Original Aspiration to Bring Warmth and Visiting Elder Party Members



At noon on 3 June, the Xiaoli Party Branch organised the party day activity themed “Remaining True to Original Aspiration to Bring Warmth and Visiting Elder Party Members”. A group of 5 party members and young volunteers went to Hulin Village, Xiaoli Town to visit elder party members who have been party members for 50 years, learn about their physical conditions and living conditions, help to solve practical difficulties, bring essential items and offer help practically and beneficially. The visit activity brought the party branch and the general public closer, improved the party spirit of party members, enhanced the cohesion and appeal of the party organization, and guided the party members of the branch to continue to carry forward the fine traditions of the party and remain true to their original aspirations.

Environmental, Social and Governance Report

APPENDIX: INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

	Environmental, Social and Governance Reporting Guide	Reporting Content
Subject Area A. Environment		
Aspect A1: Emissions		
A1	General disclosure Information on (a) the policies; and (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.	4.2 Emissions Management
A1.1	The types of air emissions and respective emissions data. (Including ozone-depleting substances and major air polluting substance).	4.2.2 Air Emissions
A1.2	Total greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Direct (Scope 1) and indirect energy (Scope 2) greenhouse gas emissions (tonnes) and (if applicable) density (such as per production unit, per item facility).	4.2.2 Air Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2.1 Solid waste
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2.1 Solid waste
A1.5	Description emissions goals established and the procedures taken to achieve such goals.	4.2.2 Air emissions
A1.6	Description of methods to dispose of hazardous and non-hazardous wastes and the description of the waste reduction goals and the procedures taken to achieve such goals.	4.2.1 Solid waste
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	4.1 Efficient Utilisation of Resources
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).	4.1.1 Energy management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.1.2 Water resources management
A2.3	Description of energy use efficiency goals and the procedures taken to achieve such goals.	4.1 Efficient Utilisation of Resources

Environmental, Social and Governance Report

A2.4	Description of whether there is any issue in sourcing applicable, the water use efficiency goals and the procedures taken to achieve such goals.	4.1.2 Water resources management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	4.3 Ecological Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3 Ecological Environment
Aspect A4: Climate Change		
A4	General disclosure Identification and handling of the significant policies of matters related to climate that might have impact on the issuers.	4.4 Climate Change
A4.1	Description of significant matters related to climate that might have impact on the issuers and responding activities.	4.4 Climate Change
Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (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.	3.1.1 Employment equality
B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1.1 Employment equality
B1.2	Loss rate of employee by gender, age group and geographical region.	3.1.1 Employment equality
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (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.	3.2 Health and Safety of Staff
B2.1	Number and rate of work-related fatalities in the past three years.	3.2 Health and Safety of Staff

Environmental, Social and Governance Report

B2.2	Lost days due to work injury.	3.2 Health and Safety of Staff
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2 Health and Safety of Staff
Aspect B3: Development and Training		
B3	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external programs paid by the employer.	3.3 Development and Training of Staff
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.3 Development and Training of Staff
B3.2	The average training hours completed per employee by gender and employee category.	3.3 Development and Training of Staff
Aspect B4: Labour Standard		
B4	General Disclosure information relating to preventing child and forced labour: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	3.1.3 Compliance in terms of Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1.3 Compliance in terms of Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	3.1.3 Compliance in terms of Employment
Aspect B4: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	2.3 Responsible Supply
B5.1	Supply Chain Management.	2.3 Responsible Supply
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	2.3 Responsible Supply
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.3 Responsible Supply
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.3 Responsible Supply

Environmental, Social and Governance Report

Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (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.	2.5 Advertisement and trademark management 5.1 Safe Operation
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	5.2.1 Complaint Handling
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.4 Information Security
B6.4	Description of quality assurance process and recall procedures.	5.1.3 Smooth and Orderly Road Maintenance
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.4 Information Security
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.1 Integrity
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.	2.1 Integrity
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.1 Integrity
B7.3	Description of anti-corruption training provided to directors and staff.	2.1 Integrity
Community		
Aspect B8: Community Investment		
B8	General Disclosure 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.	5.4 Social Services
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.4 Social Services
B8.2	Resources contributed (e.g. money or time) to the focus area.	5.4 Social Services

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 165 to 258, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 (“HKSA”) 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>Provision for maintenance and resurfacing obligations</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 RMB163,768 thousand as at 31 December 2021 with maintenance and resurfacing costs of approximately RMB35,542 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 end of the reporting period, with reference to the evaluation performed by external technicians.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 28 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"> • We assessed the competency, capability, and objectivity of the external technicians; • 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; • 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 • We checked the calculation of provisions for maintenance and resurfacing obligations to evaluate mathematical accuracy.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Amortisation of service concession arrangements</p> <p>As stated in notes 2.4 and 4 to the financial statements, the amortisation of service concession arrangements changed from straight-line method to traffic volume method from 1 June 2021, based on the share of traffic volume in a particular period over the total projected traffic volume throughout the remaining periods for which the Group is granted to operate those concession intangible assets. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road networks within the same area.</p> <p>Management engaged independent professional traffic consultants to perform estimation of the projected total traffic volume throughout the concession periods of the respective service concession arrangements. The Group reviewed it regularly with the actual traffic volume. If the projection was considered inappropriate, independent professional traffic studies would be performed. Appropriate adjustment would be made in the case of a material change in the projected total traffic volume.</p> <p>Relevant disclosures are included in notes 2.4, 4 and 17 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"> • We considered whether the amortisation methodology adopted by the Group represented the best expected future economic benefits of the Group; • We evaluated the estimated projected total traffic volume of the Group's expressways and assessed the reasonableness of these estimates; • We analysed the key assumptions used by management in the estimated total traffic volume estimate, such as the GDP growth rate, impact of other road networks in the same area, impact of renovations and expansions; • We recalculated the amortisation of service concession arrangements to check the amortisation disclosed in the financial statements; and • We assessed the adequacy of the related disclosures in the financial statements.

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 HKSAAs, 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

Registered Public Interest Entity Auditor

Hong Kong

30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	6	1,995,309	1,689,536
Cost of sales		(671,628)	(706,403)
Gross profit		1,323,681	983,133
Other income and gains	6	20,569	48,753
Administrative expenses		(69,360)	(74,521)
Impairment losses on contract assets		(1,720)	(92)
Other expenses		(4,306)	(15,647)
Finance costs	8	(127,408)	(114,844)
Share of profits and losses of an associate		364	499
PROFIT BEFORE TAX	7	1,141,820	827,281
Income tax expense	11	(288,386)	(206,505)
PROFIT FOR THE YEAR		853,434	620,776
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		853,434	620,776
Attributable to:			
Owners of the parent		853,434	620,776
EARNINGS per share ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	13	RMB0.43	RMB0.31
Diluted			
– For profit for the year	13	RMB0.43	RMB0.31

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	309,030	333,701
Investment properties	15	19,674	20,559
Right-of-use assets	16(a)	73,718	78,173
Intangible assets	17	5,376,248	5,621,348
Investment in an associate	18	21,338	20,974
Deferred tax assets	29	1,941	541
Prepayments and other receivables	21	2,787	26
Total non-current assets		5,804,736	6,075,322
CURRENT ASSETS			
Inventories	19	3,917	3,876
Trade and bills receivables	20	132,733	83,097
Contract assets	22	59,009	3,266
Other current assets		10,414	63
Prepayments and other receivables	21	34,600	2,888
Financial assets at fair value through profit or loss	23	–	464,804
Cash and cash equivalents	24	587,477	74,731
Total current assets		828,150	632,725
CURRENT LIABILITIES			
Trade payables	25	148,645	84,911
Other payables	26	178,344	97,023
Interest-bearing bank and other borrowings	27	352,148	534,355
Lease liabilities	16(b)	2,870	2,928
Tax payable		54,472	79,761
Provision	28	163,800	177,468
Total current liabilities		900,279	976,446

Consolidated Statement of Financial Position (Continued)

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT LIABILITIES		(72,129)	(343,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,732,607	5,731,601
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	2,223,810	2,722,712
Lease liabilities	16(b)	73,041	75,911
Other payables	26	22,562	24,139
Deferred tax liabilities	29	20,940	10,019
Total non-current liabilities		2,340,353	2,832,781
Net assets		3,392,254	2,898,820
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	2,000,000	2,000,000
Other reserves	31	147,198	61,619
Retained earnings		1,245,056	837,201
Total equity		3,392,254	2,898,820

Wang Zhenjiang
Director

Peng Hui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Notes	Attributable to owners of the parent				Total RMB'000
		Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 31 December 2019 and 1 January 2020		2,000,000	2,148,076	182,525	618,844	4,949,445
Profit for the year		-	-	-	620,776	620,776
Total comprehensive income for the year		-	-	-	620,776	620,776
Deemed distributions for business combinations under common control		-	(2,148,076)	(182,525)	(14,800)	(2,345,401)
Final 2019 dividend declared		-	-	-	(326,000)	(326,000)
Transfer from retained earnings		-	-	61,619	(61,619)	-
At 31 December 2020 and 1 January 2021		2,000,000	-	61,619	837,201	2,898,820
Profit for the year		-	-	-	853,434	853,434
Total comprehensive income for the year		-	-	-	853,434	853,434
Final 2020 dividend declared	12	-	-	-	(360,000)	(360,000)
Transfer from retained earnings		-	-	85,579	(85,579)	-
At 31 December 2021		2,000,000	-	147,198	1,245,056	3,392,254

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,141,820	827,281
Adjustments for:			
Finance costs	8	127,408	114,844
Share of profits and losses of an associate		(364)	(499)
Interest income from financial assets at fair value through profit or loss	6, 7	(8,965)	(5,107)
Fair value gains from financial assets at fair value through profit or loss	6, 7	–	(2,568)
Bank interest income	6, 7	(4,295)	(16,083)
Loss/(gain) on disposal of items of property, plant and equipment and intangible assets	7	31	(295)
Covid-19-related rent concessions from lessors	16	–	(153)
Depreciation of property, plant and equipment	7, 14	48,780	69,535
Depreciation of investment properties	7, 15	885	886
Depreciation of right-of-use assets	7, 16	4,455	2,304
Amortisation of intangible assets	7, 17	291,350	327,131
Impairment of property, plant and equipment	7, 14	–	13,520
Impairment of trade receivables	7, 20	4,051	2,074
Impairment of contract assets	7, 22	1,720	92
Impairment of prepayments and other receivables	7, 21	(169)	39
Foreign exchange differences, net	6, 7	355	(2,516)
Increase in inventories		(41)	(1,447)
Increase in trade and bills receivables		(53,687)	(59,781)
Increase in contract assets		(57,463)	(3,358)
Increase in contract liabilities		–	785
(Increase)/decrease in prepayments and other receivables		(384)	1,462
Increase in other current assets		(10,360)	–
Increase in trade payables		60,604	1,486
Increase in other payables and accruals		114,686	14,777
(Decrease)/increase in provisions		(13,668)	29,048
Cash generated from operations		1,646,749	1,313,457
Interest received		4,295	16,761
Income tax paid		(304,154)	(192,075)
Net cash flows from operating activities		1,346,890	1,138,143

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		(135,250)	(104,737)
Proceeds from disposal of items of property, plant and equipment and intangible assets		22	395
Acquisition of a subsidiary and a business		–	(2,371,067)
Purchases of financial assets at fair value through profit or loss		(972,300)	(991,160)
Proceeds from maturity and disposal of financial assets at fair value through profit or loss		1,434,536	728,924
Interest received from financial assets at fair value through profit or loss		12,225	5,876
Payments for other investing activities		(2,760)	(2,760)
Net cash flows from/(used in) investing activities		336,473	(2,734,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additions of interest-bearing bank borrowings		–	1,348,000
Repayment of interest-bearing bank and other borrowings		(680,517)	(416,144)
Repayment of loans from the parent company		–	(220,611)
Principal portion of lease payments		(2,928)	(1,485)
Interest portion of lease payments		(3,666)	(1,360)
Interest paid		(123,151)	(110,976)
Dividends paid	12	(360,000)	(326,000)
Net cash flows (used in)/from financing activities		(1,170,262)	271,424
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		513,101	(1,324,962)
Cash and cash equivalents at beginning of year		74,731	1,397,177
Effect of foreign exchange rate changes, net		(355)	2,516
CASH AND CASH EQUIVALENTS AT END OF YEAR		587,477	74,731
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	582,027	71,203
Time deposits	24	5,450	3,528
Cash and cash equivalents as stated in the consolidated statement of financial position	24	587,477	74,731
Cash and cash equivalents as stated in the consolidated statement of cash flows		587,477	74,731

Notes to Financial Statements

Year ended 31 December 2021

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)

Year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

In the opinion of the directors, the ultimate holding company of the Company changed from Qilu Transportation to Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed") on 16 November 2020 upon completion of the joint restructuring of Shandong Hi-Speed and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed.

Shandong Hi-Speed, 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 Industrial Development Co., Ltd. * (山東舜廣實業發展有限公司) ("Shunguang Industrial")	PRC/Mainland China	RMB3,000,000	100	Outdoor advertising production and distribution, and sale of materials for construction
Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司) ("Qilu Hong Kong")	Hong Kong	HKD10,000,000	100	Construction, maintenance, and operation of expressways
Shandong Gangtong Construction Company Limited* (山東港通建設有限公司) ("Shandong Gangtong")	PRC/Mainland China	RMB40,000,000	100	Construction contracting
Shandong Ganglong Technology Development Company Limited* (山東港隆科技發展有限公司) ("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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 2021, the Group’s current liabilities exceeded its current assets by RMB72,129,000, primarily due to the expenditure incurred on the acquisition of the Deshang Expressway and Shennan Expressway last year. As at 31 December 2021, total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of the Deshang Expressway and Shennan Expressway amounted to RMB136,808,000.

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 2021, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB324,599,000, RMB400,000,000, RMB1,142,470,000 are available for withdrawal, respectively before June 2022, before December 2022, before December 2026, for the refinancing of an existing loan by the Group. Having considered the cash flows from operations and its available sources 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)

Year ended 31 December 2021

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 2021. 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)

Year ended 31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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 risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate (“LPR”) as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met. Additional information about the transition and the associated risks is disclosed in note 39 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ 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

⁵ 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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

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.

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 resulting from a downstream transaction 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.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* 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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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	13 to 27 years
Ancillary equipment	2 to 10 years
Machinery	9 to 20 years
Motor vehicles	4 to 8 years
Office and other equipment	1 to 13 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)

Year ended 31 December 2021

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, less accumulated amortisation and any impairment losses.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 upstill 31 May 2021. The amortisation method changed from straight-line method to traffic volume method from 1 June 2021 which based on the share of traffic volume in a particular period over the projected total traffic volume throughout the remaining periods for which the Group is granted to operate those concession intangible assets.

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 Concession Arrangements and Transfer Agreement to maintain the concession intangible assets in 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 2 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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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)

Year ended 31 December 2021

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.

(d) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products. Some contracts for the sale of industrial products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Defined contribution pension schemes (continued)

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 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.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 JUDGEMENTS AND 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes to Financial Statements (Continued)

Year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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.

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.

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.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Amortisation of service concession arrangements

The amortisation of service concession arrangements changed from straight-line method to traffic volume method from 1 June 2021, based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the “GDP”) growth rate and the impact of other road networks within the same area.

Management engaged independent professional traffic consultants to perform estimation of the projected total traffic volume throughout the concession periods of the respective service concession arrangements. The Group reviewed it regularly with the actual traffic volume. If the projection was considered inappropriate, independent professional traffic studies would be performed. Appropriate adjustment would be made in the case of a material change in the projected total traffic volume.

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.

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).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

4. CHANGE IN SIGNIFICANT ACCOUNTING ESTIMATE

Since the proportion of traffic volume over the projected total traffic volume for each period is not stable and the traffic volume is increasing in the last few years, the straight-line method for the amortisation of concession intangible assets could not reflect the pattern in which the assets' future economic benefits are expected to be consumed. The Group has changed the amortisation method of concession intangible assets from the straight-line method to the traffic volume amortisation method from 1 June 2021. The book value of concession intangible assets is amortised on a unit-of-usage basis, based on the share of traffic volume in a particular period over the projected total traffic volume throughout the remaining periods for which the Group is granted to operate those concession intangible assets.

The abovementioned change in accounting estimate resulted in an increase in intangible assets and an increase in deferred tax liabilities by RMB37,037,000 and RMB9,259,000 as of 31 December 2021 respectively, and increase in profit before tax and an increase in income tax expense by RMB37,037,000 and RMB9,259,000 respectively for the year ended 31 December 2021.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 26 March 2021.

5. 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 further geographical information is presented.

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
<i>Revenue from contracts with customers</i>		
Expressway business	1,772,904	1,541,041
Construction business	180,516	142,665
Sale of industrial products	34,878	—
Other service businesses	2,234	1,920
<i>Revenue from other sources</i>		
Rental income*	4,777	3,910
	1,995,309	1,689,536

* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB4,134,000 and fixed payments of RMB643,000 during the year ended 31 December 2021.

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of revenue		
Expressway business	1,772,904	1,541,041
Construction business	180,516	142,665
Sale of industrial products	34,878	—
Other service businesses	2,234	1,920
Total revenue from contracts with customers	1,990,532	1,685,626

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time	1,810,016	1,542,961
Over time	180,516	142,665
Total revenue from contracts with customers	1,990,532	1,685,626

Notes to Financial Statements (Continued)

Year ended 31 December 2021

6. 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.

Sales of products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products or when client pick up in the agreed location.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sales of products (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	5,899,154	164,339
After one year	12,778,427	—
	18,677,581	164,339

	2021 RMB'000	2020 RMB'000
Other income and gains		
Interest income from financial assets at fair value through profit or loss	8,965	5,107
Fair value gains from financial assets at fair value through profit or loss	—	2,568
Bank interest income	4,295	16,083
Compensation income for road damages	4,258	3,662
Government grants	1,295	16,617
Foreign exchange differences, net	—	2,516
Others	1,756	2,200
Other income and gains	20,569	48,753

Notes to Financial Statements (Continued)

Year ended 31 December 2021

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Construction costs		145,391	123,820
Cost of inventories sold		34,533	—
Maintenance and resurfacing costs and provisions	28	35,542	98,357
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages, salaries and allowances, social security and benefits		124,165	112,292
Defined contribution pension schemes		16,986	7,214
Other staff benefits		8,073	6,901
		149,224	126,407
Depreciation in respect of:			
– property, plant and equipment	14	48,780	69,535
– right-of-use assets	16	4,455	2,304
– investment properties	15	885	886
Amortisation of intangible assets in respect of:			
– service concession arrangements	17	289,950	325,612
– software	17	1,400	1,519
Loss/(gain) on disposal of items of property, plant and equipment and intangible assets		31	(295)
Impairment of trade receivables	20	4,051	2,074
Impairment of contract assets	22	1,720	92
(Reversal of impairment)/Impairment of financial assets included in prepayments and other receivables	21	(169)	39
Impairment of property, plant and equipment	14	—	13,520
Auditor's remuneration		1,580	1,450
Foreign exchange differences, net		355	(2,516)
Interest income from financial assets at fair value through profit or loss	6	(8,965)	(5,107)
Fair value gains from financial assets at fair value through profit or loss	6	—	(2,568)
Bank interest income	6	(4,295)	(16,083)

Notes to Financial Statements (Continued)

Year ended 31 December 2021

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest expenses on interest-bearing bank borrowings	116,971	101,828
Interest expenses on loans from Shandong Hi-Speed (note 35(b))	5,588	10,400
Interest on lease liabilities (note 16(b))	3,666	1,360
Accreted interest on an amount due to Shandong Hi-Speed (note 35(d))	1,183	1,256
	127,408	114,844

9. 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:

	2021 RMB'000	2020 RMB'000
Fees	600	600
Other emoluments:		
Salaries, allowances and benefits in kind	1,911	1,846
Performance related bonuses	2,596	1,945
Defined contribution pension schemes	433	198
	4,940	3,989
	5,540	4,589

Notes to Financial Statements (Continued)

Year ended 31 December 2021

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The names of the directors and supervisors and their remuneration during the year are as follows:

	Notes	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
2021						
<i>Chairman of the board:</i>						
Mr. Zhenjiang Wang	<i>i</i>	—	75	175	3	253
Mr. Gang Li	<i>ii</i>	—	82	482	24	588
<i>Executive directors:</i>						
Mr. Hui Peng		—	138	647	27	812
Mr. Qiang Liu		—	102	433	24	559
		—	397	1,737	78	2,212
<i>Non-executive directors:</i>						
Mr. Dalong Chen		—	—	—	—	—
Mr. Shaochen Wang		—	—	—	—	—
Mr. Xiaodong Su		—	—	—	—	—
Mr. Haolai Tang		—	—	—	—	—
Mr. Cenyu Zhou		—	—	—	—	—
Ms. Xia Kong		—	—	—	—	—
Mr. Zhongming Du	<i>iv</i>	—	—	—	—	—
<i>Chairman of the board of supervisors:</i>						
Ms. Xin Meng		—	—	—	—	—
<i>Supervisors:</i>						
Mr. Yongfu Wu		—	—	—	—	—
Mr. Yin Zhang		—	—	—	—	—
Mr. Shun Wang		—	111	428	17	556
Mr. Dehong Hao		—	79	216	17	312
Ms. Qinghong Hou		—	71	215	16	302
Mr. Ruzhi Li		—	120	—	—	120
Mr. Qinghui Meng		—	120	—	—	120
		—	501	859	50	1,410
<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		120	—	—	—	120
		600	—	—	—	600
		600	898	2,596	128	4,222

Notes to Financial Statements (Continued)

Year ended 31 December 2021

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
2020						
<i>Chairman of the board:</i>						
Mr. Gang Li	ii	—	150	536	45	731
<i>Executive directors:</i>						
Mr. Hui Peng		—	150	536	45	731
Mr. Qiang Liu		—	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	iii	—	—	—	—	—
Mr. Haolai Tang		—	—	—	—	—
Mr. Genyu Zhou		—	—	—	—	—
Ms. Xia Kong		—	—	—	—	—
		—	—	—	—	—
<i>Chairman of the board of supervisors:</i>						
Ms. Xin Meng		—	—	—	—	—
<i>Supervisors:</i>						
Mr. Yongfu Wu		—	—	—	—	—
Mr. Yin Zhang		—	—	—	—	—
Mr. Shun Wang		—	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		—	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		120	—	—	—	120
		600	—	—	—	600
		600	934	1,945	204	3,683

Notes to Financial Statements (Continued)

Year ended 31 December 2021

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2021					
<i>Chairman of the board:</i>					
Mr. Zhenjiang Wang	<i>i</i>	32	50	43	125
Mr. Gang Li	<i>ii</i>	40	41	41	122
<i>Executive directors:</i>					
Mr. Hui Peng		72	91	84	247
Mr. Qiang Liu		71	83	80	234
		215	265	248	728
<i>Non-executive directors:</i>					
Mr. Dalong Chen		—	—	—	—
Mr. Shaochen Wang		—	—	—	—
Mr. Xiaodong Su		—	—	—	—
Mr. Haolai Tang		—	—	—	—
Mr. Cenyu Zhou		—	—	—	—
Ms. Xia Kong		—	—	—	—
Mr. Zhongming Du	<i>iv</i>	—	—	—	—
		—	—	—	—
<i>Chairman of the board of supervisors:</i>					
Ms. Xin Meng		—	—	—	—
<i>Supervisors:</i>					
Mr. Yongfu Wu		—	—	—	—
Mr. Yin Zhang		—	—	—	—
Mr. Shun Wang		66	72	63	201
Mr. Dehong Hao		64	70	61	195
Ms. Qinghong Hou		63	70	61	194
Mr. Ruzhi Li		—	—	—	—
Mr. Qinghui Meng		—	—	—	—
		193	212	185	590
<i>Independent non-executive directors:</i>					
Mr. Xuezhao Cheng		—	—	—	—
Mr. Hua Li		—	—	—	—
Mr. Lingfang Wang		—	—	—	—
Mr. Jiale He		—	—	—	—
Mr. Ping Han		—	—	—	—
		—	—	—	—
		408	477	433	1,318

Notes to Financial Statements (Continued)

Year ended 31 December 2021

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2020					
<i>Chairman of the board:</i>					
Mr. Gang Li	ii	61	70	44	175
<i>Executive directors:</i>					
Mr. Hui Peng		62	70	44	176
Mr. Qiang Liu		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	iii	—	—	—	—
Mr. Haolai Tang		—	—	—	—
Mr. Cenyu Zhou		—	—	—	—
Ms. Xia Kong		—	—	—	—
		—	—	—	—
<i>Chairman of the board of supervisors:</i>					
Ms. Xin Meng		—	—	—	—
<i>Supervisors:</i>					
Mr. Yongfu Wu		—	—	—	—
Mr. Yin Zhang		—	—	—	—
Mr. Shun Wang		53	56	24	133
Mr. Dehong Hao		51	54	24	129
Ms. Qinghong Hou		51	54	24	129
Mr. Ruzhi Li		—	—	—	—
Mr. Qinghui Meng		—	—	—	—
		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		—	—	—	—
		338	370	198	906

Notes to Financial Statements (Continued)

Year ended 31 December 2021

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes:

- (i) Mr. Zhenjiang Wang was appointed as the chairman of the board in August 2021.
- (ii) Mr. Gang Li resigned as the chairman of the board in June 2021, and Mr. Hui Peng has been appointed as the authorised representative of the Company with effect from 22 June, 2021.
- (iii) Mr. Ruizheng Yuan resigned as a non-executive director of the Company in January 2021.
- (iv) Mr. Zhongming Du was appointed as a non-executive director of the Company in January 2021.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	847	550
Performance related bonuses	1,299	804
Defined contribution pension schemes	240	76
	2,386	1,430

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HKD1,000,000	3	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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

11. 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 (2020: nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% (2020: 25%) of the assessable profits during the year.

	2021 RMB'000	2020 RMB'000
Current – Mainland China		
Charge for the year	275,761	211,100
Underprovision/(overprovision) in prior years	3,104	(427)
Deferred (note 29)	9,521	(4,168)
Total tax charge for the year	288,386	206,505

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:

	2021 RMB'000	2020 RMB'000
Profit before tax	1,141,820	827,281
Tax at the statutory tax rate at 25%	285,455	206,820
Effect of different tax rate of a subsidiary operating	(326)	(178)
Income not subject to tax	(91)	(125)
Expenses not deductible for tax	34	346
Tax losses not recognised	54	23
Tax losses utilised from previous periods	(9)	–
Adjustments in respect of tax of previous periods	3,104	(427)
Others	165	46
Tax charge at the Group's effective tax rate	288,386	206,505

Notes to Financial Statements (Continued)

Year ended 31 December 2021

12. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final – RMB0.180 (2020: RMB0.180) per ordinary share	360,000	360,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. 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 (2020: 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 2021 and 2020.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	94,511	7,218	428,157	16,674	61,687	1,152	609,399
Accumulated depreciation 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
At 1 January 2021, net of accumulated depreciation and impairment	83,337	3,630	212,837	5,738	27,007	1,152	333,701
Additions	987	–	10,903	4,474	5,255	2,543	24,162
Disposals	–	–	(53)	–	–	–	(53)
Depreciation provided during the year	(3,702)	(767)	(40,405)	(1,061)	(2,845)	–	(48,780)
Transfers	–	–	1,152	–	1,003	(2,155)	–
At 31 December 2021, net of accumulated depreciation and impairment	80,622	2,863	184,434	9,151	30,420	1,540	309,030
At 31 December 2021:							
Cost	95,498	7,218	440,135	21,148	67,945	1,540	633,484
Accumulated depreciation and impairment	(14,876)	(4,355)	(255,701)	(11,997)	(37,525)	–	(324,454)
Net carrying amount	80,622	2,863	184,434	9,151	30,420	1,540	309,030

Notes to Financial Statements (Continued)

Year ended 31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	92,970	6,221	401,495	12,538	54,538	1,078	568,840
Accumulated depreciation 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, net of accumulated depreciation and impairment	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	–	–	4,776	351	64	–	5,191
Disposals	–	–	–	(100)	–	–	(100)
Depreciation provided 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, net of accumulated depreciation and 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 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

As at 31 December 2021, the aggregate carrying value of the buildings without ownership certificates was RMB17,943,000 (2020: RMB18,678,000). 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)

Year ended 31 December 2021

15. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Cost at 1 January, net of accumulated depreciation	20,559	21,445
Depreciation provided during the year	(885)	(886)
Cost at 31 December, net of accumulated depreciation	19,674	20,559
At 31 December:		
Cost	23,806	23,806
Accumulated depreciation	(4,132)	(3,247)
Net carrying amount	19,674	20,559
Fair value at the end of the year	19,134	20,385

The Group's investment properties consist of 14 (2020: 14) commercial properties in Mainland China. The fair value of the Group's investment properties as at 31 December 2021 of RMB19,134,000 (2020: RMB20,385,000) 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 2021, the aggregate carrying value of the buildings without ownership certificates was RMB19,674,000 (2020: RMB20,559,000). 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)

Year ended 31 December 2021

16. 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 3 and 6 years. 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 land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020	—	—	—
Additions	77,299	3,178	80,477
Depreciation charge	(1,536)	(768)	(2,304)
As at 31 December 2020 and 1 January 2021	75,763	2,410	78,173
Depreciation charge	(3,687)	(768)	(4,455)
As at 31 December 2021	72,076	1,642	73,718

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	78,839	—
New leases	—	80,477
Accretion of interest recognised during the year	3,666	1,360
Covid-19-related rent concessions from lessors	—	(153)
Payments	(6,594)	(2,845)
Carrying amount at 31 December	75,911	78,839
Analysed into:		
Current portion	2,870	2,928
Non-current portion	73,041	75,911

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	3,666	1,360
Depreciation charge of right-of-use assets	4,455	2,304
Covid-19-related rent concessions from lessors	—	(153)
Total amount recognised in profit or loss	8,121	3,511

(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 15) consisting of 14 (2020: 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 RMB4,777,000 (2020: RMB3,910,000), details of which are included in note 6 to the financial statements.

At 31 December 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	2,828	2,931
After one year but within two years	1,371	2,027
After two years but within three years	1,018	974
After three years but within four years	753	875
After four years but within five years	274	693
After five years	272	523
	6,516	8,023

Notes to Financial Statements (Continued)

Year ended 31 December 2021

17. INTANGIBLE ASSETS

	Service concession arrangements RMB'000	Software RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	5,618,011	3,337	5,621,348
Additions	44,569	1,681	46,250
Amortisation provided during the year	(289,950)	(1,400)	(291,350)
Adjustment in final settlements	—	—	—
At 31 December 2021	5,372,630	3,618	5,376,248
At 31 December 2021:			
Cost	8,589,410	8,079	8,597,489
Accumulated amortisation and impairment	(3,216,780)	(4,461)	(3,221,241)
Net carrying amount	5,372,630	3,618	5,376,248
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	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	5,618,011	3,337	5,621,348
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	5,618,011	3,337	5,621,348

Notes to Financial Statements (Continued)

Year ended 31 December 2021

17. INTANGIBLE ASSETS (CONTINUED)

The details of the toll roads, Jihe Expressway, Deshang Expressway and Shennan Expressway under the Concession Arrangement and Transfer Agreement are disclosed in note 1.

During the year, the reconstruction and expansion project on the Jihe Expressway and upgrading of Deshang Expressway was in the construction stage. Total construction costs of RMB44,569,000 were incurred (2020: RMB51,332,000). All construction works were sub-contracted to third-party subcontractors.

In addition, construction revenue of RMB44,569,000 (2020: RMB51,332,000) was recognised in respect of the construction services provided by the Group for the upgrade project of the 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 the Deshang Expressway of the Group was pledged to secure a bank loan granted to the Group (note 27). The net carrying amounts of such operating right were approximately RMB2,225,078,000 and RMB2,314,288,000, respectively, as of 31 December 2021 and 2020.

18. INVESTMENT IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of net assets	21,338	20,974

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. Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Xinyue Material") became an associate of the Group upon the completion of the acquisition of Shandong Gangtong on 30 March 2020.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The financial year of the above associate is coterminous with that of the Group.

Xinyue Material, 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 Xinyue Material's summarised financial position information as at 31 December 2021 and summarised financial performance information for 2021, and 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 Xinyue Material 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.

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Current assets	42,506	40,025
Non-current assets	30,597	33,459
Current liabilities	(19,758)	(21,050)
Net assets	53,345	52,434
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	40%	40%
Group's share of net assets of the associate	21,338	20,974
Carrying amount of the investment	21,338	20,974
	2021	Period from 30 March to 31 December 2020
Revenue	34,046	47,220
Profit for the year	910	1,248
Total comprehensive income for the year	910	1,248
Share of the associate's profit for the year	364	499

Notes to Financial Statements (Continued)

Year ended 31 December 2021

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Materials and spare parts for toll road repair and maintenance	3,917	3,876

20. TRADE AND BILLS RECEIVABLES

Trade receivables are analysed by category as follows:

	2021 RMB'000	2020 RMB'000
Trade receivables	138,658	84,806
Impairment	(6,125)	(2,074)
Trade receivables, net	132,533	82,732
Bills receivable	200	365
	132,733	83,097

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 (2020: 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)

Year ended 31 December 2021

20. 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:

	2021 RMB'000	2020 RMB'000
Within one year	92,868	82,732
one to two years	39,665	—
	132,533	82,732

The movement in the loss allowance for impairment of trade receivables is as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	2,074	—
Impairment losses, net (note 7)	4,051	2,074
At end of year	6,125	2,074

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., by 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 was 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 for the fact of having no past business dealing in relation with construction contracting, the Group measures expected credit losses of the construction contracting receivables by reference to the experiences of the construction industry and the expected credit loss rates were set to be 3% within one year, and 8% in one to two years.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

21. PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
<i>Current portion</i>		
Prepayment to suppliers	31,819	717
Deposits and other receivables	2,995	2,554
	34,814	3,271
Impairment allowance	(214)	(383)
	34,600	2,888
<i>Non-current portion</i>		
Other receivables	2,787	26
	37,387	2,914

The movement in provision for impairment of other receivables is as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	383	344
Impairment losses, net (note 7)	(169)	39
At end of year	214	383

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 2021 was 7.15% (2020: 15.00%). 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)

Year ended 31 December 2021

22. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets arising from:		
Construction services	60,821	3,358
Impairment	(1,812)	(92)
	59,009	3,266

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 2021 was the result of the increase in the provision of construction contracting services at the end of the year.

During the year ended 31 December 2021, RMB1,720,000 (2020: RMB92,000) 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 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	60,821	3,358

The movement in the loss allowance for impairment of contract assets is as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	92	—
Impairment losses (note 7)	1,720	92
At end of year	1,812	92

Notes to Financial Statements (Continued)

Year ended 31 December 2021

22. 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:

	2021	2020
Expected credit loss rate	3%	3%
Gross carrying amount (RMB'000)	60,371	3,054
Expected credit losses (RMB'000)	1,812	92

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Structured bank deposits	—	452,568
Wealth management products	—	12,236
	—	464,804

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)

Year ended 31 December 2021

24. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	582,027	71,203
Time deposits	5,450	3,528
Cash and cash equivalents	587,477	74,731

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.

25. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	98,459	81,220
One to two years	47,560	593
Over two years	2,626	3,098
	148,645	84,911

Included in the trade payables are amounts totalling RMB22,912,000 (2020: RMB10,611,000) 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.

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between one and two years, credit periods granted by each individual supplier or contractor are on a case-by-case basis and are set out in the respective contracts.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

26. OTHER PAYABLES

	Notes	2021 RMB'000	2020 RMB'000
Other retention payables and deposits received	(b)	68,647	2,232
Due to related parties (note 35(d))		57,100	52,980
Staff salaries and welfare		39,517	35,437
Other taxes and surcharge payables		16,124	10,320
Advance from customers		9,797	8,261
Other payables and accruals	(b)	5,067	3,707
Payables for purchases of long-term assets	(b)	4,558	7,440
Contract liabilities	(a)	96	785
		200,906	121,162
Less: non-current portion		22,562	24,139
Current portion		178,344	97,023

Notes:

- (a) Details of contract liabilities are as follows:

	2021 RMB'000	2020 RMB'000
Construction services	96	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 are set out in the respective contracts.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.20	2022	249,511	4.41	2021	211,657
Bank loans – unsecured	3.95-4.20	2022	102,637	3.95-4.41	2021	122,236
Other loans – unsecured			–	4.75	2021	200,462
			352,148			534,355
Non-current:						
Bank loans – secured	4.20	2023-2026	894,470	4.41	2022-2026	1,142,470
Bank loans – unsecured	3.95-4.20	2023-2032	1,329,340	3.95-4.41	2022-2032	1,430,242
Other loans – unsecured			–	4.75	2022	150,000
			2,223,810			2,722,712
			2,575,958			3,257,067

Notes to Financial Statements (Continued)

Year ended 31 December 2021

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	352,148	333,893
In the second year	845,778	348,887
In the third to fifth years, inclusive	1,278,914	1,334,290
Beyond five years	99,118	889,535
	2,575,958	2,906,605
Other borrowings repayable:		
Within one year	-	200,462
In the second year	-	150,000
	-	350,462
	2,575,958	3,257,067

The Group's bank loan of approximately RMB1,143,981,000 (2020: RMB1,354,126,776) as at 31 December 2021 was secured by the operating right of the Deshang Expressway (note 17) with a net carrying amount of approximately RMB2,225,078,000 (2020: RMB2,314,288,000) as at 31 December 2021.

Except the bank loans mentioned above, all interest-bearing bank borrowings were loans on credit.

The Group's other loans are unsecured, bear 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)

Year ended 31 December 2021

28. PROVISIONS

31 December 2021

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	176,751	717	177,468
Additional provisions	35,542	32	35,574
Amounts utilised during the year	(48,525)	(717)	(49,242)
At 31 December 2021	163,768	32	163,800

31 December 2020

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Provision for maintenance and resurfacing obligations <i>RMB'000</i>	Impairment of property, plant and equipment <i>RMB'000</i>	Replacement of intangible assets <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Right-of-use assets depreciation differences between accounting and tax regulations <i>RMB'000</i>	Bad debt provisions <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	37,091	271	6,942	14	–	86	44,404
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 11)	7,097	3,319	(2,934)	165	–	551	8,198
Gross deferred tax assets at 31 December 2020 and 1 January 2021	44,188	3,590	4,008	179	–	637	52,602
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 11)	(3,246)	(587)	193	(171)	547	1,352	(1,912)
Gross deferred tax assets at 31 December 2021	40,942	3,003	4,201	8	547	1,989	50,690

Notes to Financial Statements (Continued)

Year ended 31 December 2021

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations <i>RMB'000</i>	Property, plant and equipment depreciation differences between accounting and tax regulations <i>RMB'000</i>	Fair value adjustment of financial assets at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	58,015	35	-	58,050
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year (note 11)	3,416	(28)	642	4,030
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	61,431	7	642	62,080
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 11)	8,258	(7)	(642)	7,609
Gross deferred tax liabilities at 31 December 2021	69,689	-	-	69,689

Notes to Financial Statements (Continued)

Year ended 31 December 2021

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (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:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,941	541
Net deferred tax liabilities recognised in the consolidated statement of financial position	20,940	10,019
Net deferred tax liabilities	18,999	9,478

The Group has tax losses arising in Hong Kong of RMB646,000 (2020: RMB734,000) that are not available for offsetting against future taxable profits of the company in which the losses arose because the company still had no operation activities as at 31 December 2021.

The Group has no tax losses arising in Mainland China (2020: RMB400,000) 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:

	2021 RMB'000	2020 RMB'000
Tax losses not recognised as deferred assets	2,881	2,636

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

30. SHARE CAPITAL

	2021 RMB'000	2020 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 shares in issue (Thousands)	Share capital RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000	2,000,000

31. OTHER 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.

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.

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 of the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had no non-cash additions to right-of-use assets and lease liabilities, respectively, in respect of lease arrangements for land and buildings (2020: RMB80,477,000 and RMB80,477,000).

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2021	3,257,067	78,839
Changes from financing cash flows	(803,668)	(6,594)
Accretion of interest recognised	–	3,666
Interest expenses on interest-bearing bank and other borrowings	122,559	–
At 31 December 2021	2,575,958	75,911

Notes to Financial Statements (Continued)

Year ended 31 December 2021

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2020

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Other payables and accruals <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2020	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 and other borrowings	101,828	10,400	–
Transfer from other payables and accruals to interest-bearing bank and other borrowings	350,462	(350,462)	–
Covid-19-related rent concessions from lessors	–	–	(153)
At 31 December 2020	3,257,067	–	78,839

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within financing activities	6,594	2,845

33. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Reconstruction and expansion project on the Jihe Expressway	182,585	10,915
Upgrade project on the Deshang Expressway and Shennan Expressway	47,078	–
	229,663	10,915

35. RELATED PARTY TRANSACTIONS

The shareholders of the Company are Shandong Hi-Speed, COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and Guoneng Power Technology & Engineering Co., Ltd. (formerly known as Shenhua National Power 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 disclosures, 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)

Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Information about related parties

Name	Note	Relationships with the Group
Shandong Hi-Speed		Ultimate holding company
Qilu Transportation	(i)	Former ultimate holding company
Shandong Traffic Planning Design Institute		A company controlled by the parent company
Shandong Hi-Speed Information Group Company Limited		A company controlled by the parent company
Shandong Transportation Engineering Supervision Consulting Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Transportation Engineering Co., Ltd.		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 Hi-Speed Information Engineering Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Engineering Inspection Co., Ltd.		A company controlled by the parent company
Shandong Highway and Bridge Inspection Center Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan car rental branch		A company controlled by the parent company
Shandong Expressway Weihai Development Co., Ltd. LUXURY BLUE HORIZON HOTEL		A company controlled by the parent company
Shandong Expressway (Weihai) International Trade Co., Ltd.		A company controlled by the parent company
Shandong Qizhi Information Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Engineering Project Management Co., Ltd.		A company controlled by the parent company
Shandong Hi-Speed Maintenance Group Co., Ltd.		A company controlled by the parent company
Weihai City Commercial Bank		A company controlled by the parent company
Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Xinyue Material")		An associate of Shandong Gangtong

Note:

- (i) Due to the joint restructuring of Shandong Hi-Speed and Qilu Transportation ("Joint Restructuring"), Qilu Transportation was absorbed by Shandong Hi-Speed and was deregistered on 16 November 2020.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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	2021 RMB'000	2020 RMB'000
Processing service income:			
Xinyue Material		558	–
Purchases of equipment:			
Shandong Hi-Speed Information Group Company Limited	(i)	–	19,193
Shandong Tongwei	(i)	1,515	490
Shandong Hi-Speed Information Engineering Co., Ltd.		34	–
Employee service fees:			
Shandong Hi-Speed	(i)/(ii)	31,228	11,678
Interest expenses:			
Shandong Hi-Speed	(i)	5,588	10,400
Purchases of goods:			
Xinyue Material	(i)	13,360	9,467
Rent of land:			
Shandong Hi-Speed	(i)	5,774	2,256
Design expenses:			
Shandong Traffic Planning Design Institute	(i)	24,420	1,952
Maintenance services:			
Shandong Hi-Speed Information Group Company Limited	(i)	193	996
Shandong Tongwei	(i)	1,198	–
Shandong Hi-Speed Maintenance Group Co., Ltd.	(i)	237	–
Technical service expense:			
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	(i)	289	–
Shandong Hi-Speed Engineering Inspection Co., Ltd.	(i)	8,171	–
Shandong Hi-Speed Information Engineering Co., Ltd.	(i)	2	–
Shandong Highway and Bridge Inspection Center Co., Ltd.	(i)	215	–
Purchases of services:			
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan car rental branch	(i)	53	–
Shandong Expressway Weihai Development Co., Ltd. LUXURY BLUE HORIZON HOTEL	(i)	3	–
Shandong Expressway (Weihai) International Trade Co., Ltd.	(i)	28	–
Shandong Qizhi Information Co., Ltd.	(i)	1	–
		92,309	56,432

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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: (continued)

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 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 RMB31,228,000 during the year (2020: RMB11,678,000).

(c) Commitments with related parties

- (i) In the JIHE expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Hi-Speed Honglin Engineering Technology Co., Ltd and Shandong Traffic Planning Design Institute for consultation service, and Shandong Hi-Speed Engineering Inspection Co., Ltd for technology service. The amount will be approximately RMB714,000 and RMB152,822,000, RMB6,496,000, respectively.
- (ii) In the Liaocheng West Interchange project, the Group agreed with Shandong Transportation Engineering Supervision Consulting Co., Ltd to purchase the supervision service which is expected to cost approximately RMB893,000.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties

	Notes	2021 RMB'000	2020 RMB'000
Deposit balance			
Weihai City Commercial Bank		30,000	–
Prepayments and other receivables			
Xinyue Material		516	117
Shandong Hi-Speed Xinlian Technology Co., Ltd.		22	11
		538	128
Trade payables			
Xinyue Material		22,522	9,356
Shandong Hi-Speed Information Group Company Limited		–	996
Shandong Luqiao Group Co., Ltd.		199	199
Shandong Transportation Engineering Supervision Consulting Co., Ltd.		60	60
Shandong Tongwei		81	–
Shandong Traffic Planning Design Institute		50	–
		22,912	10,611
Other payables			
Shandong Hi-Speed	(i)	38,860	36,591
Shandong Hi-Speed Information Group Company Limited		16,328	16,328
Shandong Hi-Speed Transportation Engineering Co., Ltd.		55	55
Shandong Tongwei		–	6
Shandong Luqiao Group Co., Ltd.		200	–
Shandong Transportation Engineering Supervision Consulting Co., Ltd.		300	–
Shandong Hi-Speed Engineering Inspection Co., Ltd.		757	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.		600	–
		57,100	52,980
Interest-bearing bank and other borrowings			
Shandong Hi-Speed	(ii)	–	350,462

Notes to Financial Statements (Continued)

Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (continued)

Balances with the above related parties were unsecured and non-interest-bearing except for the interest-bearing bank and other borrowings with Shandong Hi-Speed.

Notes:

- (i) An amount of RMB25,322,000 represented the payable for the lease of land and property of the 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 RMB13,538,000 representing the payable for employee service fees of the 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 2021 was paid in March 2021.

- (ii) An amount of RMB350,462,000 represented the principal and interest payable for loans in respect of the construction of the Deshang Expressway and Shennan Expressway has been paid in April 2021.

Save as disclosed in the financial statement, the transactions with other state-owned enterprises are individually and collectively immaterial to the Group.

In addition, during the year ended 31 December 2021, the Group's bank balances and borrowings were deposited/arranged with state-owned banks of approximately RMB377,993,000 and RMB1,910,232,000 (2020: approximately RMB44,189,000 and RMB2,215,230,000), respectively.

(e) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,957	3,730
Performance-related bonuses	4,823	3,647
Defined contribution pension schemes	840	365
Total compensation paid to key management personnel	9,620	7,742

Further details of directors' and supervisors' emoluments are included in note 9 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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:

2021

Financial assets

	Financial assets at amortised cost RMB'000
Trade and bills receivables	132,733
Financial assets included in prepayments and other receivables	2,781
Cash and cash equivalents	587,477
	722,991

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	148,645
Financial liabilities included in other payables	135,372
Interest-bearing bank and other borrowings	2,575,958
Lease liabilities	75,911
	2,935,886

Notes to Financial Statements (Continued)

Year ended 31 December 2021

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

Financial assets

	Financial assets at fair value through profit or loss – mandatorily measured as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
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
	464,804	159,999	624,803

Financial liabilities

	Financial liabilities at amortised cost RMB'000
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
	3,487,176

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	2,575,958	3,257,067	2,522,531	3,275,678
Other payables and accruals, non-current portion	22,562	24,139	22,562	24,139
	2,598,520	3,281,206	2,545,093	3,299,817

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 the 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 the interest-bearing banks and other borrowings and the 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 because of the Group's own-performance risk for the interest-bearing bank and other borrowings and the non-current portion of other payables as of 31 December 2021 and 31 December 2020 were assessed to be insignificant.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 2021

The Group did not have any financial assets measured at fair value as at 31 December 2021.

As at 31 December 2020

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable input (Level 2) <i>RMB'000</i>	Significant unobservable input (Level 3) <i>RMB'000</i>	
Financial assets at fair value through profit or loss	–	464,804	–	464,804

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

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 (2020: nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	2,522,531	–	2,522,531
Other payables – non-current	–	22,562	–	22,562
	–	2,545,093	–	2,545,093

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable input (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	3,275,678	–	3,275,678
Other payables – non-current	–	24,139	–	24,139
	–	3,299,817	–	3,299,817

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before (Or after) tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax <i>RMB'000</i>	(Decrease)/ increase in equity <i>RMB'000</i>
2021			
RMB	100	(16,465)	(16,465)
RMB	(100)	16,465	16,465
2020			
RMB	100	(11,386)	(11,386)
RMB	(100)	11,386	11,386

Notes to Financial Statements (Continued)

Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group principally operates in Mainland China 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 movements of the foreign currency rates.

As of 31 December 2021, 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 RMB143,000 higher/lower because of the cash and cash equivalents are denominated in HKD (2020: RMB124,000).

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 and 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 20 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 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 statements, 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)

Year ended 31 December 2021

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 2021

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade and bills receivables*	200	-	-	138,659	138,859
Contract assets*	-	-	-	60,821	60,821
Financial assets included in prepayments and other receivables					
– Normal**	2,995	-	-	-	2,995
Cash and cash equivalents	587,477	-	-	-	587,477
	590,672	-	-	199,480	790,152

Notes to Financial Statements (Continued)

Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach RMB'000	
Trade and bills receivables*	365	–	–	84,806	85,171
Contract assets*	–	–	–	3,358	3,358
Financial assets included in prepayments and other receivables					
– Normal**	2,554	–	–	–	2,554
Cash and cash equivalents	74,731	–	–	–	74,731
	77,650	–	–	88,164	165,814

* 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 20 and notes 22 to the financial statements, respectively.

** 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 20 and 21.

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)

Year ended 31 December 2021

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:

	2021				Total RMB'000
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing					
bank and other borrowings	450,916	930,940	1,423,929	119,972	2,925,757
Trade payables	148,645	–	–	–	148,645
Other payables	112,810	2,760	8,280	21,456	145,306
Lease liabilities	6,392	6,392	18,084	83,954	114,822
	718,763	940,092	1,450,293	225,382	3,334,530
	2020				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing					
bank and 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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment 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:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank and other borrowings (note 27)	2,575,958	3,257,067
Less: cash and cash equivalents (note 24)	(587,477)	(74,731)
Net debt	1,988,481	3,182,336
Total equity	3,392,254	2,898,820
Total capital	5,380,736	6,081,156
Gearing ratio	36.96%	52.33%

39. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have taken place after the end of reporting period.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	301,633	324,773
Investment properties	19,674	20,559
Intangible assets	5,376,431	5,621,402
Right-of-use assets	73,582	77,710
Investments in subsidiaries	59,646	59,646
Prepayments and other receivables	2,752	–
Total non-current assets	5,833,718	6,104,090
CURRENT ASSETS		
Inventories	3,523	3,335
Trade receivables	11,970	14,558
Other current assets	4,100	–
Prepayments and other receivables	34,888	3,452
Financial assets at fair value through profit or loss	–	452,568
Cash and cash equivalents	568,805	57,631
Total current assets	623,286	531,544
CURRENT LIABILITIES		
Trade payables	24,530	32,924
Other payables and accruals	157,248	87,079
Interest-bearing bank and other borrowings	352,148	534,355
Lease liabilities	2,728	2,598
Tax payable	49,497	77,464
Provisions	163,800	177,468
Total current liabilities	749,951	911,888

Notes to Financial Statements (Continued)

Year ended 31 December 2021

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2021 RMB'000	2020 RMB'000
NET CURRENT LIABILITIES	(126,665)	(380,344)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,707,053	5,723,746
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,223,810	2,722,712
Other payables	22,563	24,139
Lease liabilities	73,041	75,769
Deferred tax liabilities	20,940	10,019
Total non-current liabilities	2,340,354	2,832,639
Net assets	3,366,699	2,891,107
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,000,000	2,000,000
Capital reserves	-	-
Other reserves	144,248	60,689
Retained earnings	1,222,451	830,418
Total equity	3,366,699	2,891,107

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 RMB'000
	Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 January 2020	2,000,000	887,209	182,525	723,347	3,793,081
Profit for the year	-	-	-	606,892	606,892
Total comprehensive income for the year	-	-	-	606,892	606,892
Deemed distributions for business combinations under common control	-	(887,209)	(182,525)	(113,132)	(1,182,866)
Final 2019 dividend declared	-	-	-	(326,000)	(326,000)
Transfer from retained earnings	-	-	60,689	(60,689)	-
At 31 December 2020 and 1 January 2021	2,000,000	-	60,689	830,418	2,891,107
Profit for the year	-	-	-	835,592	835,592
Total comprehensive income for the year	-	-	-	835,592	835,592
Reversal of share issue expenses	-	-	83,559	(83,559)	-
Final 2020 dividend declared	-	-	-	(360,000)	(360,000)
At 31 December 2021	2,000,000	-	144,248	1,222,451	3,366,699

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 30 March 2022.