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

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

(Stock Code: 1576)

**2018 ANNUAL RESULTS;
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE OF
THE GENERAL MEETING AND THE BOARD;
PROPOSED CHANGE OF AUDITORS; AND
DISTRIBUTION OF 2018 FINAL DIVIDEND**

HIGHLIGHTS

- Revenue decreased by approximately 11.80% to approximately RMB 921,735,000.
- Profit and total comprehensive income attributable to owners of our Company decreased by approximately 22.65% to approximately RMB408,505,000.
- Profit for the year from Continuing Operations decreased by approximately 18.11% to approximately RMB408,505,000 and, if the effect of the listing expenses in relation to the Global Offering was excluded, decreased by approximately 15.05% to approximately RMB426,963,000.
- Earnings per Share was approximately RMB0.24.
- Recommendation of payment of 2018 Final Dividend of RMB0.1287 (tax inclusive) per Share.

2018 ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the preceding financial year, which shall be read in conjunction with the section headed “Management Discussion and Analysis” in this announcement below, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
	Note	2018	2017
		RMB'000	RMB'000
Continuing Operations			
Revenue	3	921,735	1,045,060
Cost of sales	5	<u>(299,208)</u>	<u>(292,850)</u>
Gross profit		622,527	752,210
Administrative expenses	5	(77,382)	(48,242)
Other gains – net	4	<u>24,273</u>	<u>5,397</u>
Operating profit		569,418	709,365
Finance income		9,088	4,596
Finance costs		(33,989)	(47,428)
Finance costs – net	7	<u>(24,901)</u>	<u>(42,832)</u>
Profit before income tax		544,517	666,533
Income tax expense	8	<u>(136,012)</u>	<u>(167,661)</u>
Profit for the year from Continuing Operations		408,505	498,872
Discontinued Operations			
Profit for the year from Discontinued Operations		<u>–</u>	<u>32,032</u>
Profit and total comprehensive income for the year		<u>408,505</u>	<u>530,904</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	<i>Note</i>	Year ended 31 December	
		2018	2017
		RMB'000	RMB'000
Profit and total comprehensive income attributable to:			
– Owners of the Company		408,505	528,152
– Non-controlling interests		–	2,752
		<u>408,505</u>	<u>530,904</u>
Profit and total comprehensive income attributable to owners of the Company arises from			
– Continuing Operations		408,505	498,872
– Discontinued Operations		–	29,280
		<u>408,505</u>	<u>528,152</u>
Earnings per share from Continuing Operations and Discontinued Operations attributable to owners of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	10		
– Continuing Operations		0.24	0.33
– Discontinued Operations		–	0.02
		<u>0.24</u>	<u>0.35</u>
Dividends	9	<u>379,209</u>	<u>282,769</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	2018 RMB'000	2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		120,015	138,822
Investment properties		10,532	–
Intangible assets		2,703,529	2,873,700
Deferred income tax assets	15	–	299
Other receivables	12	2,000	3,422
Prepayments		31,526	–
		<hr/>	<hr/>
Total non-current assets		2,867,602	3,016,243
		<hr/>	<hr/>
Current assets			
Inventories		1,426	1,553
Trade receivables	11	170,468	181,347
Cash and cash equivalents		1,006,860	415,835
Other financial assets at amortised cost	12	200,000	–
Other receivables	12	6,811	22,908
Financial assets at fair value through profit or loss	13	100,000	–
Other current assets		99	–
		<hr/>	<hr/>
Total current assets		1,485,664	621,643
		<hr/>	<hr/>
Total assets		4,353,266	3,637,886
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2018*

	<i>Note</i>	2018 RMB'000	2017 <i>RMB'000</i>
Liabilities			
Non-current liabilities			
Borrowings		245,000	540,000
Trade and other payables	14	27,076	28,313
Deferred income tax liabilities	15	30,883	31,157
Total non-current liabilities		302,959	599,470
Current liabilities			
Trade and other payables	14	109,130	158,046
Current income tax liabilities		30,997	21,155
Borrowings		265,000	285,000
Provisions	16	113,490	97,230
Total current liabilities		518,617	561,431
Total liabilities		821,576	1,160,901
Net assets		3,531,690	2,476,985
Equity attributable to owners of the Company			
Share capital		2,000,000	1,500,000
Capital reserves		886,725	361,316
Other reserves		130,802	89,939
Retained earnings		514,163	525,730
Total equity		3,531,690	2,476,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

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

(b) Historical cost convention

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

(c) New and amended standards adopted by the Group

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

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

1 Basis of preparation (Continued)

(c) *New and amended standards adopted by the Group (Continued)*

Further details on the adoption of HKFRS 9 and HKFRS 15 are to be disclosed in the annual report for the year ended 31 December 2018.

Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) *New standards and interpretations not yet adopted*

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

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

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

1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted (Continued)

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the impact to the financial performance in the statement of comprehensive income, the operating lease expense will decrease, while depreciation and amortisation and the interest expense will increase.

The Group does not intend to adopt before its mandatory effective date. The Group has no operating lease as lessee, so the impact of the adoption of HKFRS 16 is not expected to have any significant effect on the financial statements of the Group.

2 Segment reporting

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

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

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

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

3 Revenue

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

4 Other gains – net

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

5 Expenses by nature

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

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

6 Employee benefit expenses (including directors' emoluments)

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

6 Employee benefit expenses (including directors' emoluments) (Continued)

(a) Pension costs – defined contribution plans

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

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

7 Finance costs – net

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs		
Bank borrowings interest expenses	(32,466)	(47,428)
Accreted interest on amount due to Qilu Transportation	(1,523)	–
	<u>(33,989)</u>	<u>(47,428)</u>
Finance income		
Interest income on bank deposits	<u>9,088</u>	<u>4,596</u>
Finance costs – net	<u>(24,901)</u>	<u>(42,832)</u>

8 Income tax expense

The Group is subject to PRC enterprise income tax, which has been provided at the rate of 25% on the estimated assessable profit for the year.

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	136,403	171,386
Overprovision in prior year	(416)	–
Deferred income tax	25	(3,725)
	<u>136,012</u>	<u>167,661</u>
Income tax expense	<u>136,012</u>	<u>167,661</u>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of PRC as follows:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax (from Continuing Operations)	544,517	666,533
Tax calculated at the domestic income tax rate applicable	136,129	166,633
Expenses not deductible for tax purposes	299	1,028
Overprovision in prior year	(416)	–
	<u>136,012</u>	<u>167,661</u>
Income tax expense (from Continuing Operations)	<u>136,012</u>	<u>167,661</u>

9 Dividends

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend paid by the Company	<u>379,209</u>	<u>282,769</u>

The dividend with the amount of RMB282,769,000 was approved by the Company's shareholders on 15 June 2017. It has been paid in June 2017.

The dividend with the amount of RMB379,209,000 was approved by the Company's shareholders on 5 June 2018. It has been paid in June and July 2018.

10 Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential shares, therefore the diluted earnings per share is same as the basic earnings per share.

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company		
– Continuing Operations	408,505	498,872
– Discontinued Operations	–	29,280
	408,505	528,152
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,726,027	1,500,000
Basic earnings per share (<i>expressed in RMB per share</i>)		
– Continuing Operations	0.24	0.33
– Discontinued Operations	–	0.02
	0.24	0.35

11 Trade receivables

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>Note a</i>)	170,468	181,347

- (a) Trade receivables mainly consists of toll road income receivable from Shandong Provincial Traffic Transport Department for uncollected expressway income as at relevant year end, which is expected to be settled within three months.

11 Trade receivables (Continued)

- (b) As at 31 December 2017 and 2018, the management assessed the risk of collection of the trade receivables, and no material risk was identified. As such, no provision for impairment was made at the end of each reporting period.

Aging analysis of trade receivables at the end of the reporting period are as follows:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
Within 3 months	<u>170,468</u>	<u>181,347</u>

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

12 Other financial assets at amortised cost

	As at 31 December 2018			As at 31 December 2017		
	Current	Non-current	Total	Current	Non-current	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products with principal and interests guaranteed	200,000	-	200,000	-	-	-
Other receivables and prepayment	<u>6,811</u>	<u>2,000</u>	<u>8,811</u>	<u>22,908</u>	<u>3,422</u>	<u>26,330</u>
	<u>206,811</u>	<u>2,000</u>	<u>208,811</u>	<u>22,908</u>	<u>3,422</u>	<u>26,330</u>

The financial assets at amortised cost are denominated in RMB. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

13 Financial assets at fair value through profit or loss

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Structured bank deposits	<u>100,000</u>	<u>–</u>

Financial assets at fair value through profit or loss represented RMB denominated structured bank deposits with expected rate of return of 3.9% per annum and with maturity date of 90 days.

14 Trade and other payables

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note a</i>)	21,458	32,849
Listing expense payables	32,246	1,167
Amount due to Qilu Transportation	29,836	91,383
Staff salaries and welfare	23,333	22,338
Payables for purchases of long-term assets	12,003	20,815
Advance from customers	9,276	8,132
Tax payables	3,418	3,082
Retention payables and deposit received	2,629	2,185
Other payables and accruals	<u>2,007</u>	<u>4,408</u>
	136,206	186,359
Less: non-current portion	<u>(27,076)</u>	<u>(28,313)</u>
Current portion	<u>109,130</u>	<u>158,046</u>

(a) Aging analysis of trade payables at the respective reporting period ends are as follows:

Trade payables	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>21,458</u>	<u>32,849</u>

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax related to the same tax authority.

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets		
– to be settled within 12 months	<u>–</u>	<u>299</u>
Deferred income tax liabilities		
– to be settled after more than 12 months	<u>(30,883)</u>	<u>(31,157)</u>
Deferred income tax liabilities – net	<u>(30,883)</u>	<u>(30,858)</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	(30,858)	(33,820)
(Charged)/credited to profit or loss	(25)	2,962
Continuing Operations	(25)	3,725
Discontinued Operations	–	(763)
At 31 December	<u>(30,883)</u>	<u>(30,858)</u>

15 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions for maintenance/ resurfacing obligations	Amortisation of national inspection maintenance fees <i>(Note a)</i>	Accrued expenses	Bad debt provisions	Unrealised profit of inter- company transaction	Tax losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets							
As at 1 January 2017	16,036	6,800	821	99	357	-	24,113
Credited/(charged) to the profit or loss	<u>8,271</u>	<u>(6,800)</u>	<u>(583)</u>	<u>70</u>	<u>(357)</u>	<u>299</u>	<u>900</u>
As at 31 December 2017	<u>24,307</u>	<u>-</u>	<u>238</u>	<u>169</u>	<u>-</u>	<u>299</u>	<u>25,013</u>
Credited/(charged) to the profit or loss	<u>4,065</u>	<u>-</u>	<u>(1)</u>	<u>(94)</u>	<u>-</u>	<u>(299)</u>	<u>3,671</u>
As at 31 December 2018	<u>28,372</u>	<u>-</u>	<u>237</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>28,684</u>

- (a) In 2015, the Company incurred maintenance costs amounted to approximately RMB81,602,000 for National Expressway Maintenance and Management Inspection. Under the requirement of the tax authority, the respective maintenance costs should be deducted for tax purpose equally for the years ended 31 December 2015, 2016 and 2017.

15 Deferred income tax (Continued)

	Concession 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>	Total <i>RMB'000</i>
Deferred income tax liabilities			
As at 1 January 2017	(55,336)	(2,597)	(57,933)
(Charged)/credited to the profit or loss	<u>(255)</u>	<u>2,317</u>	<u>2,062</u>
As at 31 December 2017	<u><u>(55,591)</u></u>	<u><u>(280)</u></u>	<u><u>(55,871)</u></u>
(Charged)/credited to the profit or loss	<u>(3,909)</u>	<u>213</u>	<u>(3,696)</u>
As at 31 December 2018	<u><u>(59,500)</u></u>	<u><u>(67)</u></u>	<u><u>(59,567)</u></u>

16 Provisions – maintenance and resurfacing obligations

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	97,230	64,145
Addition of provision	72,298	71,686
Utilisation of provision	<u>(56,038)</u>	<u>(38,601)</u>
At the end of the year	<u><u>113,490</u></u>	<u><u>97,230</u></u>

BUSINESS REVIEW

Macroeconomic Environment and Social Development

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

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

Review of our Operations

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

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

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

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

- (1) **Automated toll collection facilities to improve traffic efficiency:** pursuant to the relevant government policies, each of our toll centres are equipped with self-service pass dispensing machines and ETC toll lanes to improve the efficiency of vehicles into and out of the Jihe Expressway;
- (2) **Application of technologies in our daily operations:** we conducted round-the-clock monitoring of the traffic conditions of the Jihe Expressway with our high-resolution video cameras installed along the expressway which captured real-time traffic image and transmitted across our ten gigabyte ethernet to the display screens in the safety operation department at the headquarter;
- (3) **Emergency plans to ensure safe and smooth traffic:** our dedicated team from each of the management centres is on duty at all times to deal with emergency matters so as to ensure the smooth traffic of our expressway. Leveraging on our comprehensive monitoring system, our safety operation department acts as a high-level traffic coordination unit to facilitate swift access by our emergency response teams to traffic incidents and road emergencies; and
- (4) **Preventive maintenance measures to preserve quality road conditions:** we focus on preventive maintenance techniques to preserve our road condition and enhance the drivers’ experience. By making use of our advanced technologies, we are able to form comprehensive maintenance plans in advance. Preventive maintenance enable us to maintain the optimal quality of road surface for a longer service cycle and reduce maintenance cost in the long run.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) OPERATING RESULTS AND FINANCIAL PERFORMANCE

Continuing Operations

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

(1) Revenue

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

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

(2) *Analysis on traffic flow and toll income*

Traffic Flow

	Year ended 31 December	
	2018	2017
	Traffic flow (vehicle)	Traffic flow (vehicle)
Passenger vehicles		
Class 1	12,052,683	11,277,574
Class 2	282,764	213,027
Class 3	358,036	413,568
Class 4	251,639	285,775
Total traffic volume of passenger vehicles	12,945,122	12,189,944
Trucks		
Class 1	1,000,469	938,282
Class 2	643,013	755,759
Class 3	412,723	473,300
Class 4	349,073	394,388
Class 5	3,938,616	4,848,542
Total traffic volume of trucks	6,343,894	7,410,271
Total and average		
Total traffic volume of passenger vehicles and trucks ⁽¹⁾	19,289,016	19,600,215
Average daily traffic flow ⁽²⁾	52,847	53,699

Notes:

- (1) The traffic flow of the Jihe Expressway does not include vehicles exempted from paying tolls.
- (2) Average daily traffic flow of the Jihe Expressway is calculated by dividing the traffic flow of the Jihe Expressway of that year by the number of days of that year.

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

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

- (i) owing to the continuing increase in car ownership in Shandong Province and the PRC in general, 2018 saw an increase in total traffic volume of passenger cars; on the other hand, affected by environmental protection policies, there was a decrease in traffic volume of earth-rock transportation vehicles, resulting in a decrease in total traffic volume of trucks in 2018;
- (ii) from 1 November 2017 to date, trucks with five axles or above were restricted from using the Jinan-Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section); and due to the closure of both directions of G35 Xiaoxujia to Lingdian Interchange within the same period, many vehicles travelling between eastern Shandong Province (and surrounding Weifang City, Zibo City and other regions) and Heze City (and northern Jiangsu Province, Henan Province and other regions) could not access G20 and G35 (Jinan-Qingdao Expressway and the Jihe Expressway) and were diverted to G15 and G1511 (the Shenyang-Haikou Expressway and the Rizhao-Dongming Expressway), which caused a decrease in traffic flow particularly the traffic flow of trucks using the Jihe Expressway;
- (iii) due to the road construction of the National Highway G105 in 2017, a number of vehicles were diverted to the Jihe Expressway, resulting a significant increase in traffic flow of the Jihe Expressway. Upon completion of the road construction of the National Highway G105 on 1 January 2018, vehicles from and to Pingyin South toll station and Dongping toll station were diverted back to the National Highway G105; and

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

Toll Income

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

Note:

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

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

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

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

(3) Cost of sales and gross profit

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

(4) Other gains – net

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

(5) Administrative expenses

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

(6) Finance income

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

(7) Finance costs

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

(8) Income tax expense

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

(9) Profit for the Year from Continuing Operations

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

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

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

(11) Earnings per share

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

(12) Liquidity and financial resources

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

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

Notes:

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

(2) Total capital = Total equity + Net debt

(13) Employees, remuneration policy and pension plans

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

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

(14) Capital structure, cash flow and financial resources

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

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

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

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

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

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

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

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

(15) Foreign exchange risk

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

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

(16) Bank borrowings

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

(17) Pledge of assets and contingent liabilities

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

(18) Capital commitments

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

(19) Working capital management

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

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

(20) Significant investments or material acquisition or disposal

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

(21) Latest business development

Changqing University Science Park Interchange Project

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

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

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

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

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

Discontinued Operations

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

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

(II) PROMINENT RISK FACTORS

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

(1) Political risk and measures

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

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

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

(2) Changes in macroeconomic environment and measures

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

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

(3) Diversified travel patterns and changes in road network

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

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

(4) Management risk and measures

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

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

(III) FUTURE PLANS

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

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

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

- (2) **Regular maintenance and management of expressway:** firstly, our Company will continue to implement precise maintenance and comprehensively improve the quality of maintenance and management. Secondly, our Company will deliver premium maintenance projects and implement stringent quality safety regulation and traffic organisation guarantee to ensure a premium project rate (工程優良率) of 100%. Thirdly, our Company will improve the maintenance safety level. We will improve the management measures for the maintenance and safe operation of long and large bridges, continue to implement the dynamic supervision and green channel maintenance system for bridges, and monitor damaged bridges by specialised personnel to ensure safe operation. Fourthly, our Company will standardise construction works and strictly implement the dual approval system. It will also strengthen daily maintenance management while carrying out flood prevention, snow and skid prevention, emergency treatment for bridge damages in order to ensure smooth traffic and road safety;
- (3) **Strict risk compliance management:** firstly, our Company will continue to promote the construction of dual foundation for safety production, integrate the consciousness of “placing safety foremost among all priorities” into the whole process of production, operation and management, solidly carry out investigation and treatment of hidden dangers, and improve the level of risk control over safety production. Secondly, we will vigorously promote the establishment of the dual system of (i) categorized risk management and (ii) investigation and treatment of hidden dangers, extensively implement the standardisation of safety production and technology-oriented approach for safety emergency with an aim to achieve fundamental safety. Thirdly, our Company will put more resources into publicity and education by organising regular safety training to reinforce the consciousness of safety production and safety quality level of all staff in a practical manner. Fourthly, we will promote the development of a comprehensive risk management system and keep on enhancing our ability in risk prevention and control. Fifthly, our Company will improve the quality control on audit works, strengthen our efforts in audit supervision over key projects, material funds and high-risk domains, such as maintenance, housing construction, mechanical and electrical engineering, and financial information, adopt measures including ex-ante procedure, in-process tracking and obstacle supervision to improve the level of internal control of our Company. Sixthly, our Company will improve the bidding and procurement system, strengthen the bidding supervision and management mechanism, and refine the procedures for bidding and procurement supervision so as to standardise the supervision process in details with suitable competent personnel deployed and ensure that contract management is executed in accordance with laws and regulations.

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

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

PROSPECTS

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

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

PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING AND THE BOARD

According to the requirements of the Company Law, the Guidelines for the Articles of Association of Listed Companies (amended in 2016) (《上市公司章程指引(2016年修訂)》) and the Listing Rules, and the actual situation of the Company, the Board proposed to make amendments to the current rules of procedure of the general meeting and the Board.

Proposed Amendments to the Rules of Procedure of the General Meeting

Details of the proposed amendments to the rules of procedure of the general meeting are set out as follows:

Article 5:

The original Article 5 Where the Company convenes a general meeting, the Company shall retain legal advisers to issue legal opinions and make an announcement in respect of the following:

- (I) whether the procedures for the convocation of the general meetings comply with the requirements of laws, administrative regulations, the Articles of Association and these Rules;
- (II) whether the qualifications of the attendees and the convener of the meeting are lawful and valid;
- (III) whether the voting procedures and the voting results are lawful and valid;
- (IV) the issue of legal opinions on other relevant issues upon the request of the Company.

The amended Article 5 The Company shall engage legal advisers to issue legal opinions on matters discussed at the general meeting and the relevant matters in compliance with the laws, regulations and listing rules of the place where the shares of the Company are listed and specific matters as requested by the regulatory authorities, and submit the legal opinions to the regulatory authorities in accordance with the relevant regulations or requirements or disclose the relevant content by way of announcement.

PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE OF THE BOARD

Paragraph one of Article 4:

Paragraph one
of the original
Article 4

The Board comprises 12 Directors, within which one person shall be the chairman, and at least three are independent non-executive Directors and such number shall be no less than one-third of the Board as a whole. Among the independent non-executive Directors, at least one person shall possess appropriate professional qualifications or appropriate accounting or related financial management expertise, and one independent non-executive Director must be ordinarily resident in Hong Kong.

Paragraph one of the
amended Article 4

The Board comprises 15 Directors, within which one person shall be the chairman, and at least three are independent non-executive Directors and such number shall be no less than one-third of the Board as a whole. Among the independent non-executive Directors, at least one person shall possess appropriate professional qualifications or appropriate accounting or related financial management expertise, and one independent non-executive Director must be ordinarily resident in Hong Kong.

Article 8:

The original Article 8 The Board meetings to be convened periodically include but not limited to:

(I) The Board meetings approving the financial reports of the Company:

1. Annual results Board meeting

The meeting shall be convened within three months after the end of the accounting year of the Company. The Directors shall mainly review and consider the annual report of the Company and deal with other relevant matters at such meetings. The timing of convening the annual Board meeting shall ensure that the annual report of the Company will be despatched to the Shareholders within the time limit prescribed by the relevant regulations and the Articles of Association that the preliminary annual financial results will be announced within the time limit prescribed by the relevant regulations, and that the annual general meeting will be convened within six months from the end of the accounting year of the Company.

2. Interim results Board meeting

The meeting shall be convened within two months after the end of the first six months of the accounting year of the Company. The Directors shall mainly review and consider the interim reports of the Company and deal with other relevant matters at such meeting.

(II) Board meeting for year-end review

The Board meeting shall be held in December of each year to receive and consider the report of the general manager regarding the implementation of tasks scheduled for the year and the arrangements for tasks in the coming year.

The amended Article 8 The Board meetings to be convened periodically include but not limited to:

(I) Annual results Board meeting

The meeting shall be convened within three months after the end of the accounting year of the Company. The Directors shall mainly review and consider the annual results of the Company and deal with other relevant matters at such meetings. The timing of convening the annual Board meeting shall ensure that the annual report of the Company will be despatched to the Shareholders within the time limit prescribed by the relevant regulations and the Articles of Association, that the preliminary annual results announcement will be made within the time limit prescribed by the relevant regulations, and that the annual general meeting will be convened within six months from the end of the accounting year of the Company.

(II) Interim results Board meeting

The meeting shall be convened within two months after the end of the first six months of the accounting year of the Company. The Directors shall mainly review and consider the interim results of the Company and deal with other relevant matters at such meeting.

The English version of each of the rules of procedures of the General Meeting and the Board is the unofficial translation of the Chinese version. In the event of any inconsistency, the Chinese version shall prevail.

In accordance with Article 61 and Article 114 of the Articles of Association, the rules of procedures of the general meeting and the Board are affixed to the Articles of Association as attachments, respectively. Therefore, the proposed amendments to each of the rules of procedures of the general meeting and the Board are subject to the approval by our Shareholders at the 2018 AGM by way of a special resolution.

PROPOSED CHANGE OF AUDITORS

The Board hereby announces that, based on the results of the open tendering process of our Company conducted in accordance with the requirements under the applicable PRC laws and regulations (including the Law of the People's Republic of China on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and the Regulation on Bid Invitation and Bidding for Shandong Provincial Government-Administered Enterprises (《山東省省管企業招投標規定》) and the Management Rules of Procurement by Tendering (《招標採購管理辦法》) of our Company and, upon the recommendation from the Audit Committee, the Board has resolved the proposed appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor and international auditor of our Group for 2019, respectively. Ernst & Young Hua Ming LLP and Ernst & Young shall hold office from the conclusion of the 2018 AGM until the conclusion of the next annual general meeting of our Company, subject to the approval of our Shareholders at the 2018 AGM.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the domestic and international auditors of our Company will retire with effect from the conclusion of the 2018 AGM, and will not offer themselves for re-election. PricewaterhouseCoopers has confirmed that there were no matters regarding the proposed change of auditor of our Group or any other matters that need to be brought to the attention of our Shareholders and creditors. The Board and the Audit Committee were not aware of any matter regarding the proposed change of both the domestic and international auditors or any other matters that should be brought to the attention of our Shareholders.

The Board would like to take this opportunity to express its sincere gratitude towards PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their professional and quality services rendered to our Group during the past years.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant subsequent event after the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of our Group for the year ended 31 December 2018 and is of the view that our Group has complied with all applicable accounting standards and requirements and made adequate disclosure.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

CLOSURES OF REGISTER OF MEMBERS

2018 AGM

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

Proposed 2018 Final Dividend

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

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

Tax on Dividends

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

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

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

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

DEFINITIONS

In this announcement, unless otherwise requires, the following expressions have the following meanings:

“2018 AGM”	the annual general meeting of our Company to be convened and held on Monday, 10 June 2019 or the adjournment thereof
“2018 Final Dividend”	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.1287 (tax inclusive) per Share
“Advertisement Business”	our business in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
“Articles of Association”	the articles of association of our Company

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Changqing University Science Park Interchange Project”	the improvement project of our Company for the construction of a new interchange on Jihe Expressway with a ramp connecting to the Changqing University Science Park. Please refer to the sub-section headed “Business – Upgrade of the Jihe Expressway” in the Prospectus for details
“class 1”	truck of 2 tons or less and passenger vehicle with 7 seats or less
“class 2”	truck of 2 to 5 tons (including 5 tons) and passenger vehicle with 8 to 19 seats
“class 3”	truck of 5 to 10 tons (including 10 tons) and passenger vehicle with 20 to 39 seats
“class 4”	truck of 10 to 15 tons (including 15 tons), 20-foot container vehicle and passenger vehicle with 40 seats or above
“class 5”	truck of 15 tons or above and 40-foot container vehicle
“Company” or “our Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016 pursuant to the Reorganisation of the Jihe Expressway Company
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》)
“Concession Agreement”	the concession agreement in respect of the Jihe Expressway project entered into between the Shandong Provincial Traffic Transport Department (山東省交通運輸廳) (as authorised by the Shandong Provincial People’s Government (山東省人民政府)) and our Company on 26 September 2004

“Concession Rights”	the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) to maintain, operate and manage the Jihe Expressway and its ancillary facilities (including but not limited to the rights in relation to the repair and maintenance of the Jihe Expressway and the toll collection of vehicles thereon) pursuant to the Concession Agreement
“Continuing Operations”	the business operations carried out by our Group in relation to the Expressway Business and the Advertisement Business
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of our Company
“Discontinued Operations”	the business operations carried out by Jihe Service, and Jihe Petroleum prior to the Reorganisation, namely (i) the provision of services including vehicle parking, vehicle repair, catering services and supermarket operations and (ii) operation of petroleum and gas refill stations along the Jihe Expressway and the sales of petroleum and gas-related products, respectively
“Domestic Share(s)”	ordinary Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway
“Global Offering”	the offer of our Company’s H Shares for subscription by the public in Hong Kong and outside the United States in offshore transactions, details of which can be found in the Prospectus
“Group”, “our Group”, “us” or “we”	our Company and, except where the context otherwise requires, its subsidiary

“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“H Shareholder(s)”	holders of the H Share(s)
“HK\$” or “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS” or “Hong Kong Financial Reporting Standards”	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan (濟南) to Heze (荷澤) Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
“Jihe Expressway Company”	Shandong Jihe Expressway Company Limited* (山東濟荷高速公路有限公司), limited liability company incorporated in the PRC on 6 January 2004 and the predecessor of our Company
“Jihe Petroleum”	Shandong Jihe Expressway Petroleum Management Company Limited* (山東濟荷高速石化油氣管理有限公司), a limited liability company incorporated in the PRC on 25 December 2007, 51.00% equity interest of which was transferred by our Company to a subsidiary of Qilu Transportation in April 2017 pursuant to the Reorganisation

“Jihe Service”	Shandong Jihe Expressway Service Company Limited* (山東濟荷高速服務有限公司), currently known as Shandong Luchang Expressway Service Area Management Company Limited* (山東魯暢高速公路服務區管理有限公司), a limited liability company incorporated in the PRC on 6 February 2005, the entire equity interest of which was transferred by our Company to a subsidiary of Qilu Transportation in April 2017 pursuant to the Reorganisation
“Listing”	the listing of the Company’s H Shares on the Main Board of the Stock Exchange on 19 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ministry of Transport”	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“PRC” or “State”	the People’s Republic of China, which for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering
“Qilu Transportation”	Qilu Transportation Development Group Company Limited* (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation of its Listing

“Reporting Period” or “Year”	the year ended 31 December 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SDRC”	Shandong Provincial Development and Reform Committee (山東省發展和改革委員會)
“Share(s)”	Domestic Shares and/or H shares (as the case may be)
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law

By order of the Board
Qilu Expressway Company Limited
Li Gang
Chairman

Shandong, the PRC
21 March 2019

As at the date of this announcement, the executive Directors are Mr. Li Gang and Mr. Peng Hui; the non-executive Directors are Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Wu Dengyi, Mr. Li Jie, Mr. Wang Long, Mr. Su Xiaodong, Mr. Yuan Ruizheng and Mr. Tang Haolai; and the independent non-executive Directors are Mr. Wu Yuxiang, Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang and Mr. He Jiale.

* For identification purpose only