

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The following Offering Circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129..

The communication of the following Offering Circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Financial Promotion Order**”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**Relevant Persons**”). In the United Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which the following Offering Circular relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following Offering Circular or any of its contents.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Confirmation and your representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the Securities, investors must be outside the United States. By accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the issuer in such jurisdiction. This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, neither ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China Limited, Standard Chartered Bank, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc, GF Securities (Hong Kong) Brokerage Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, China CITIC Bank International Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, DBS Bank Ltd. (a limited liability company incorporated in the Republic of Singapore), Dongxing Securities (Hong Kong) Company Limited, Mizuho Securities Asia Limited, Nomura International (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited, Yue Xiu Securities Company Limited and Zhongtai International Securities Limited as the joint lead managers (the “**Joint Lead Managers**”), or any person who controls the Joint Lead Managers or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Coastal Emerald Limited
(A company incorporated in British Virgin Islands with limited liability)
US\$900,000,000 4.30 per cent. Guaranteed Perpetual Securities
Unconditionally and Irrevocably Guaranteed by
Shandong Hi-Speed Group Co., Ltd.
山東高速集團有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)



Coastal Emerald Limited (the “**Issuer**”) is offering 4.30 per cent. guaranteed perpetual securities in the aggregate principal amount of US\$900,000,000 (the “**Securities**”). The Securities have the benefit of a deed of guarantee (the “**Deed of Guarantee**”) dated 1 August 2019 executed by Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)(the “**Guarantor**” or the “**Company**”) and Citicorp International Limited (the “**Trustee**”).

The Securities confer a right to receive distributions (each, a “**Distribution**”) for the period from and including 1 August, 2019 (the “**Issue Date**”) at the applicable rate described below (the “**Distribution Rate**”). Subject to the provisions of the Securities relating to deferral of Distribution (see “*Terms and Conditions of the Securities – Distribution – Distribution Deferral*”), Distributions shall be payable semi-annually in arrear on 1 February and 1 August of each year (each, a “**Distribution Payment Date**”) commencing on 1 February 2020.

Upon the occurrence of a Change of Control, a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event (each as defined in the Terms and Conditions of the Securities (the “**Terms and Conditions**”) and each a “**Step-Up Event**”), unless (i) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to holders of the Securities (“**Holders**”), the Trustee and the Principal Paying Agent by the 30th day following the occurrence of the relevant Step-Up Event; or (ii) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will be increased by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of such relevant Step-Up Event or (b) if the date on which such relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate shall be 5.00 per cent. per annum. See “*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events – Increase in Distribution Rate*”. If following an increase in the Distribution Rate after a Step-Up Event, such relevant Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders, the Trustee and the Principal Paying Agent, the Distribution Rate will be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event, **provided that** the maximum aggregate decrease in the Distribution Rate shall be 5.00 per cent. per annum, as further described in “*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events – Decrease in Distribution Rate*”.

Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from, and including, the Issue Date to, but excluding, 1 August, 2024 (the “**First Call Date**”) shall accrue on the outstanding principal amount of the Securities at a rate of 4.30 per cent. per annum; and (ii) from, and including, the First Call Date to, but excluding, the Reset Date falling immediately after the First Call Date, and from, and including, each Reset Date falling after the First Call Date, to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the Relevant Reset Distribution Rate (except expressly provided to the otherwise, capitalised terms used herein shall have the meaning ascribed thereto in “*Terms and Conditions of the Securities*”).

The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders, the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date. Any Distribution so deferred shall constitute “**Arrears of Distribution**”. Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as described in “*Terms and Conditions of the Securities – Distribution – Distribution Deferral – Cumulative Deferral*”. The Issuer may further defer, in whole or in part, any Arrears of Distribution by complying with the foregoing notice requirements. The Issuer is not subject to any limits as to the number of times any Distributions and Arrears of Distribution can be deferred. See “*Terms and Conditions of the Securities – Distribution – Distribution Deferral – Cumulative Deferral*”.

Unless the Payment Condition (as defined in the Terms and Conditions) has been fully satisfied or the Issuer or the Company is otherwise permitted to do so by an Extraordinary Resolution of the Holders, the restrictions as described in “*Terms and Conditions of the Securities – Distribution – Distribution Deferral – Restrictions in the case of Deferral*” shall apply.

The Securities constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.

The Guarantee of the Securities constitutes direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Company which will at all times rank at least *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

Payments on the Securities and/or the Guarantee of the Securities will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the “**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of British Virgin Islands, or the PRC, any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each, a “**Relevant Jurisdiction**”) to the extent described in “*Terms and Conditions of the Securities – Taxation*”.

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem all, but not part, of the Securities on the First Call Date or any Distribution Payment Date after the First Call Date at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)). The Securities may also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in “*Terms and Conditions of the Securities – Redemption and Purchase*” upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdiction, (b) any change or amendment to, or a change or amendment to any interpretation of, the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as “equity” of the Company or China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) pursuant to their respective Relevant Accounting Standards, (c) a Breach of Covenant Event, (d) a Relevant Indebtedness Default Event, (e) a Change of Control, (f) a Dividend Stopper Breach Event or (g) at least 90 per cent. in principal amount of the Securities originally issued having been redeemed or purchased and cancelled prior to the date fixed for redemption.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) promulgated by the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) on 14 September 2015 which came into effect immediately (the “**NDRC Circular**”), the Company has registered the issuance of the Securities with the NDRC and has obtained a certificate from the NDRC on 15 April 2019 evidencing such registration and undertakes under the Terms and Conditions of the Securities to file the requisite information and documents with the NDRC within the time period prescribed by NDRC after the Issue Date in accordance with the NDRC Circular.

The Company will file or cause to be filed with the Shandong Branch of State Administration of Foreign Exchange of the PRC (“**SAFE**”), the Guarantee of the Securities within 15 business days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (“**Cross-Border Security Registration**”). The Guarantor shall complete the Cross-Border Security Registration with SAFE and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being the day falling 150 calendar days (as defined in the Conditions) after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantees.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of and quotation for the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, any of their subsidiaries, associated companies of the Issuer or the Guarantor or the Securities.

Concurrently with this offering, the Issuer is conducting an offering of its US\$500,000,000 3.95 per cent. guaranteed bonds due 2022 (the “**Bonds**”). The offering of the Bonds is being made pursuant to a separate offering circular for the Bonds and not pursuant to this Offering Circular.

Investing in the Securities involves risks. See “*Risk Factors*” beginning on page 20 of this Offering Circular for a description of certain factors to be considered in connection with an investment in the Securities.

The Securities and the Guarantee of the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of these and certain restrictions on offers and sales of the Securities and the Guarantee of the Securities and the distribution of the Offering Circular, see “*Subscription and Sale*”.

The Securities will be represented by beneficial interests in the global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

Fitch Ratings Ltd. (“**Fitch**”) has assigned a corporate rating of “A” with a stable outlook and Moody’s Investors Service, Inc. (“**Moody’s**”) has assigned a corporate rating of “A3” with a stable outlook to the Company. The Securities are expected to be rated “A-” by Fitch and “A3” by Moody’s. Such ratings are only correct as at the date of this Offering Circular. The rating is not a recommendation to buy, sell or hold the Securities or any other securities of the Issuer, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

With effect from the date of this Offering Circular in connection with the Securities only the information appearing in the Offering Circular shall be amended and/or supplemented by the inclusion of the information set out below.

Joint Global Coordinators and Joint Lead Managers

ICBC	HSBC	Bank of China	Standard Chartered Bank
Citigroup	Morgan Stanley.	GF Securities	China Minsheng Banking Corp., Ltd.
			ABC International

Joint Lead Managers and Joint Bookrunners

Bank of Communications	China CITIC Bank International	China Merchants Securities (HK)	CLSA
CMB Wing Lung Bank Limited	DBS Bank Ltd.	Dongxing Securities (Hong Kong) Company Limited	Mizuho Securities
Nomura	Shanghai Pudong Development Bank	Yue Xiu Securities	Zhongtai International

The date of this Offering Circular is 25 July 2019.

IMPORTANT NOTICE

This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as of any time after that date.

We, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to us and our subsidiaries referred to in this Offering Circular, the Securities and the Guarantee that is material in the context of the issue and offering of the Securities; (ii) the statements contained in this Offering Circular relating to us and our subsidiaries are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to us and our subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries, the Securities and the Guarantee, the omission of which would, in the context of the issue and offering of the Securities, make this Offering Circular, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Securities. You should read this Offering Circular before making a decision whether to purchase the Securities. You must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

We have prepared this Offering Circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Securities. By purchasing the Securities, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Subscription and Sale” below.

No representation or warranty, express or implied, is made by ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China Limited, Standard Chartered Bank, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc, GF Securities (Hong Kong) Brokerage Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, China CITIC Bank International Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, DBS Bank Ltd. (a limited liability company incorporated in the Republic of Singapore), Dongxing Securities (Hong Kong) Company Limited, Mizuho Securities Asia Limited, Nomura International (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited, Yue Xiu Securities Company Limited and Zhongtai International Securities Limited as the joint lead managers (the “**Joint Lead Managers**”), the Trustee (as defined herein) or the Agents (as defined in the “Terms and Conditions of the Securities”) or any of their respective affiliates, directors, employees, agents, representatives or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this Offering Circular acknowledges that: (i) such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors in connection with any investigation of the accuracy of such information or its investment decision; and (ii) no person has been authorised to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Securities or the Guarantee

(other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by us or the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors.

We and the Joint Lead Managers are not making an offer to sell the Securities (including the Guarantee) in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Securities (including the Guarantee) may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Securities (including the Guarantee) and distribution of this Offering Circular, see the section entitled “Subscription and Sale”.

This Offering Circular summarises certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. Neither we, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors are making any representation to you regarding the legality of an investment in the Securities by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding investment in the Securities.

We reserve the right to withdraw the offering of Securities at any time, and the Joint Lead Managers reserve the right to reject any commitment to subscribe for the Securities in whole or in part and to allot to any prospective purchaser less than the full amount of the Securities sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Securities.

This Offering Circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The communication of this Offering Circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the Securities offered hereby are only available to, and any investment or

investment activity to which this Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Circular or any of its contents.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “Guarantor”, the “Company”, the “Group”, and words of similar import, we are referring to Shandong Hi-Speed Group Co., Ltd. and its consolidated subsidiaries, as the context requires.

Market data and certain information and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe such information to be reliable, it has not been independently verified by us, the Joint Lead Managers, the Trustee, the Agents or our or their respective directors and advisors, and neither us, the Joint Lead Managers, the Trustee, the Agents nor our or their respective directors and advisors make any representation as to the accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Securities, including the merits and risks involved.

In this Offering Circular, all references to “US\$”, “USD” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “**United States**” or “**U.S.**”); and all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“**China**” or the “**PRC**”); and all references to “S\$” or “SGD” are to Singapore dollars, the lawful currency of Republic of Singapore.

References to “PRC” and “China”, for the purposes of this Offering Circular, except where the context otherwise requires, do not include Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), Macau Special Administrative Region of the People’s Republic of China (“**Macau**”) or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8925 to US\$1.00, the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 5 July 2019. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information”. The Group’s financial statements are prepared in accordance with PRC GAAP, which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not equal to the apparent total of the individual terms and actual numbers may differ from those contained herein due to rounding.

The English names of PRC nationals, entities, departments, facilities, laws, regulations certificates, titles and the like are translations or transliterations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- (1) our business strategies, objectives and plan of operation;
- (2) our capital expenditure plans;
- (3) the amount and nature of, and potential for, future development of our business;
- (4) our operations and business prospects;
- (5) the dividend policies of our subsidiaries and portfolio companies;
- (6) the regulatory environment in general;
- (7) capital market developments;
- (8) future developments, trends and conditions in our industry in China; and
- (9) other statements in this Offering Circular that are not historical facts.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Offering Circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as at the date of this Offering Circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

The Company was established by the People's Government of Shandong Province (“**Shandong Government**”) as a wholly state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of Shandong Province (“**SSASAC**”). SSASAC, on behalf of Shandong Government, acts as the Company's majority shareholder and holds the shares of the Company together with Shandong Provincial Council for Social Security Fund and Shandong Guohui Investment Co., Ltd. The Group constructs and invests in transport infrastructure, such as expressways and railways, and serves as the sole railway infrastructure investment platform of Shandong Government. Leveraging its advantages in its core expressway and railway businesses, the Group has grown into a modernised, international and efficient transportation and infrastructure conglomerate. The Company, through its subsidiaries and affiliates, is principally engaged in the investment in, and construction, operation and management of various transportation and infrastructure facilities. The Group's businesses can be divided into the following segments:

- expressway;
- railway;
- construction;
- port shipping;
- logistics and trading;
- financial investment; and
- property development.

The Group is the largest provincially supervised state-owned enterprise in Shandong province and the largest infrastructure developer in Shandong province in terms of total assets as at 31 December 2018. As at and for the years ended 31 December 2016, 2017 and 2018, the Group's total assets and profits ranked first among all state-owned enterprises directly supervised by Shandong Government. It is the only state-owned enterprise in Shandong province that was awarded the Special Award (First Class) (省管企業特別獎勵一等獎) by Shandong Government in 2015. In recent years, the Group has won a series of awards, including the “Representative Unit of Intellectual Property Protection of Shandong Province” by the Intellectual Property Office of Shandong Province, the “Innovative Technology Award”, “Best Product Award” and “Classic Engineering Work Award” by the China Highway and Transportation Society. The Group is among the first batch of “Enhanced Financing Monitoring Issuers” selected by the Shanghai Stock Exchange.

Expressways business segment

The Group is primarily engaged in the investment in, and operation and management of, roads, expressways, bridges, tunnels in Shandong, Sichuan, Henan, Yunnan, Hunan and Hubei provinces. As at 31 December 2018, the Group operated 29 expressways with a total length of approximately 2,765 kilometres, of which 1,750 kilometres are in Shandong province. The length of the expressways under the Group's construction was approximately 746 kilometres as at 31 December 2018. The majority of the Group's expressways are managed and operated by SHCL, a subsidiary of the Group which is listed on the Shanghai Stock Exchange (stock code: 600350). As at 31 December 2018, Shandong Hi-Speed Company Limited (山東高速股份有限公司) (“**SHCL**”) was the largest listed company in terms of total length of expressways in operation in the PRC. SHCL has successively become a constituent of the “SSE 180 Index”, the “CSI 300 Index” and the “Shanghai Stock Exchange Corporate Governance Index”. The key expressways which the Group operates include the Jinan-Qingdao Expressway (濟青高速) and the Shandong section of the Beijing-Fuzhou Expressway (京福高速山東段). In 2018, the Group

collected 40.8 per cent. of its total toll revenue from these two expressways. Both of these expressways are managed and operated by the Group's listed subsidiary, SHCL. The Group's other expressways are also managed and operated by other subsidiaries of the Group.

Railways business segment

In terms of railways, the Group is primarily engaged in the investment in, and construction and operation of, railways and rail transit infrastructure in Shandong province and other regions of the PRC. The railway business serves as a complement to the Group's expressway business and is an important part of the Group's integrated transport infrastructure network. The Group's railway business originated from Shandong Local Railway Bureau (the "**Bureau**"). Hence, the Group has received substantial governmental support over the years in undertaking construction projects. It is actively participating in the investment in, and construction and management of railway projects in the PRC, on behalf of Shandong Government.

The Group's railway business is conducted through two key subsidiaries, Shandong Railway Investment Holding Group Co., Ltd. (山東鐵路投資控股集團有限公司) ("**Shandong Railway Investment**") and Shandong Hi-Speed Rail Transit Group Co., Ltd (山東高速軌道交通集團有限公司) ("**SDHS Rail Transit**"), Shandong Railway Investment engages in the development, management and operation of, railways in Shandong province and other regions that are part of the PRC railway network. SDHS Rail Transit engages in the investment in, and construction and operation of, regional and urban light and inter-city rail transit infrastructure in Shandong province.

Construction business segment

The Group engages in the construction of roads, expressways, bridges, tunnels and other related infrastructure. It undertakes foreign economic and technological projects on behalf of the PRC government and provides consulting and subcontracting services relating to the construction of infrastructure. The Group's construction business is one of its core competitive strengths.

The Group's construction business is primarily conducted through Shandong Hi-Speed Road & Bridge Co., Ltd (山東高速路橋集團股份有限公司) ("**Shandong Road & Bridge**"), which is principally responsible for the building of roads and bridges, undertaking construction contracts for offshore roads, bridges and tunnels, bidding for construction tenders onshore and offshore, importing and exporting related equipment and materials, and providing training and consulting services to contractors. Through more than seven decades of development since its establishment in 1948, Shandong Road & Bridge has become a well-established construction company, enjoying wide brand recognition in the PRC and overseas. Over the past 70 years, Shandong Road & Bridge has constructed more than 200 expressways at various levels in the PRC and overseas, with a total length of over 5,000 kilometres.

Ports shipping business segment

The Group engages in the investment in, and construction and operation of ports and shipping-related business. This business serves as an important platform for the Group to implement China's "Blue Yellow" strategy and build an interconnected multi-transportation system. Through Shandong Marine Group Limited (山東海洋集團有限公司) ("**Shandong Marine**"), previously known as Shandong Ocean Investment Co., Ltd (山東海洋投資有限公司), in which the Group held 31.3 per cent. of equity interest as at 31 December 2018 (being the largest shareholder), the Group invests in maritime engineering and technology in line with the Shandong Peninsula Blue Economic Zone Strategy (山東半島藍色經濟區戰略) promoted by the PRC government and is the first state-owned investment company focusing on developing the PRC's marine economy. Through Shandong Shipping Corporation (山東海運股份有限公司) ("**SD Shipping**") (NEEQ stock code: 835589) and Shandong Bohai Bay Port Group Co., Ltd (山東渤海灣港口集團有限公司), the Group provides port and shipping logistics-related services. Since 1 July 2019, SD Shipping and Shandong Marine are no longer consolidated subsidiaries of the Group.

In addition, the Group has invested approximately RMB1.4 billion in the construction of the Port of Weifang, which is strategically located in the prime region of the Bohai Sea economic belt. The construction of the first 50,000-tonnage berth at the Port of Weifang was completed in March 2019 and the berth has been put into trial operation.

Logistics and trading business segment

Logistics segment

The Group is engaged in the retail sales, distribution and provision of logistics services for, commodities and the provision of logistics services to corporate customers, including logistics parks, ports shipping services, bulk commodities trading, logistics information enquiry, advertising, finance and guarantee services. The Group has built upon the strength of its existing transportation network and utilised its extensive network of expressways, regional railways, ports, logistics parks and related information technology infrastructure to develop and expand its logistics business. By leveraging its existing competitive advantage in infrastructure, the Group seeks to enter into and target the high-end logistics industry. Moreover, through merger and acquisitions with other well-established logistics companies, the Group aims to establish itself as a one-stop logistics service provider to serve corporate customers.

Trading segment

The Group's trading business mainly consists of sales of oil, foodstuff, coal, asphalt and other building materials, and railway concrete sleepers, which is conducted by its subsidiaries Shandong Hi-Speed Singapore Pte Ltd (山東高速(新加坡)有限公司)("SDHS Singapore"), Shandong Hi-speed Material Group Co., Ltd (山東高速物資集團有限公司)("SDHS Materials") and SDHS Rail Transit.

Financial investment business segment

The Group has established a multi-channel financing platform to develop the Group's financial services and other businesses. The Group's financial investment business segment primarily consists of:

- the banking business conducted through Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司)("WCC Bank");
- the insurance business conducted through the Group's investment in Taishan Insurance (泰山財產保險股份有限公司)("Taishan Insurance");
- equity investments, management and operations through Shandong Hi-Speed Investment Holdings Company Limited (山東高速投資控股有限公司)("SDHS Investments"); and
- other investment activities in industry investment funds, private equity funds, securities and trusts.

Property development business segment

The Group is engaged in the supply of construction materials, real estate development, city operation and other services. The Group's property business segment is operated primarily through its subsidiary, Shandong Hi-Speed Real Estate Group Co., Ltd (山東高速地產集團有限公司), which has two wholly-owned subsidiaries (Shandong Hi-Speed Real Estate Development Co., Ltd (山東高速置業發展有限公司) and Shandong Hi-Speed Marine Real Estate Development Co., Ltd (山東高速海陽置業有限公司)), two holding companies (Shandong Hi-Speed Greentown Real Estate Investment Co., Ltd (山東高速綠城置業投資有限公司) and Shandong Hi-Speed Urban Construction Investment Co., Ltd (山東高速城市建設投資有限公司)), and three joint stock companies (Shandong Hi-Speed Credit Industry City Development Equity Capital Management Co., Ltd (山東高速信業城市發展股權資金管理有限公司), Inner Mongolia Road & Bridge Real Estate Co., Ltd (內蒙古魯橋置業有限公司) and Jiana Real Estate Company (加納房地產公司)).

Key Strengths and Competitive Advantages

The Group believes that it has the following key strengths and competitive advantages:

- an industry leader in expressways with strong market share, an established operational track record, quality assets and leading construction capability;
- a unique geographical advantage;
- continued support from Shandong Government;
- diversified business portfolio that generates a stable cashflow and reduces cyclical risks;
- sound credit profile and access to financing resources;
- comprehensive risk management system; and
- experienced management team with strong execution track record.

Strategies

The Group aims to strengthen its position as a leading infrastructure company in the PRC by focusing on the following strategies:

- continuing to assume the responsibilities of being the major state-owned enterprise of Shandong Government and implement the important mission of infrastructure construction in Shandong province;
- maintaining high operational efficiency and seizing suitable expansion opportunities;
- establishing a strong foothold regionally and expanding globally;
- enhancing risk management and streamlining organisational structure; and
- recruiting high-skilled talent and emphasising a “people-orientated” culture.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2016, 2017 and 2018 has been derived from the Company's 2017 and 2018 audited consolidated financial statements and the related notes (the "**Group's Audited Consolidated Financial Statements**") for such year and as at such date, an English translation of which is included elsewhere in this Offering Circular and has been audited by Baker Tilly China Certified Public Accountants ("**Baker Tilly China**"), the independent certified public accountants for the Company for such period.

In 2018, MOF promulgated "Notice of the Ministry of Finance on Revising and Issuing the Amended Format of Financial Statements of General Enterprises for 2018 (No.15 [2018] of the Ministry of Finance)" implementing certain new accounting standards and new requirements in relation to the format of financial statements (the "**New Accounting Standards and Requirements**"). The 2018 Audited Financial Statements were prepared and presented in accordance with the New Accounting Standards and Requirements. As a result, the presentation of certain line items in the 2018 Audited Financial Statements may not be directly comparable to the financial figures in the financial statements of the Company for the previous periods.

Additionally, certain adjustments and restatements have been made in respect of the presentation of certain historical line items as at and for the year ended 31 December 2017 due to changes in accounting policies and accounting estimates pursuant to the New Accounting Standards and Requirements. For details of the New Accounting Standards and Requirements and its impact on the 2018 Audited Financial Statements and the adjustments and restatements, please see Note V "Introduction of changes in accounting policies and estimates and correction of significant previous errors" of the notes to the Company's 2018 Audited Financial Statements. Given the foregoing, the Company's financial information as at and for the years ended 31 December 2016 and 2017 appearing in the 2017 Audited Financial Statements may not be comparable with the Company's financial information as at and for the years ended 31 December 2017 and 2018 appearing in the 2018 Audited Financial Statements.

The Company's 2018 Audited Financial Statements have only been prepared in Chinese, the English translation of which (the "**Financial Statements Translations**") have been prepared and included in this Offering Circular for reference only. None of the Managers or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers has independently verified or checked the accuracy of the Financial Statements Translations and can give no assurance that the information contained in the Financial Statements Translations is accurate, truthful or complete.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results.

The consolidated financial information of the Company included in this Offering Circular has been prepared in accordance with PRC GAAP, which differs in certain respects from IFRS and generally accepted accounting principles in other jurisdictions. The material differences between PRC GAAP and IFRS are described in the section entitled "Summary of Certain Material Differences between PRC GAAP and IFRS". The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited consolidated financial statements of the Company and the notes thereto included elsewhere in this Offering Circular.

Consolidated Statement of Income

	For the year ended 31 December			
	2016	2017	2018	2018
	(Audited) (RMB)	(Audited) (Amended and Restated) (RMB)	(Audited) (RMB)	(Unaudited and unreviewed) (USD)
1. Overall operating revenue	58,936,220,830.8	66,633,518,983.2	70,626,844,609.1	10,246,912,529.4
Including: Operating income	50,537,410,745.6	56,538,919,713.4	59,767,767,476.0	8,671,420,743.7
Interests proceed	6,840,781,421.6	8,370,267,406.6	8,895,595,386.1	1,290,619,570.0
Earned premium	1,181,694,057.6	1,392,098,115.1	1,594,855,837.9	231,390,038.1
Revenue from handling charges and commissions income	376,334,606.0	332,233,748.1	368,625,909.1	53,482,177.6
2. Overall operating costs	56,365,323,183.3	63,148,099,200.5	70,327,524,723.9	10,203,485,632.8
Including: Operating cost	41,345,619,314.2	45,868,432,682.1	49,793,870,381.6	7,224,355,514.2
Interests expenses	3,466,246,890.7	4,686,209,050.5	5,313,690,092.4	770,937,989.5
Handling charges and commissions expenses	190,389,280.1	267,388,749.5	495,723,664.9	71,922,185.7
Net payments for insurance claims	660,038,565.6	775,943,194.4	872,608,564.0	126,602,620.8
Net provision for insurance contracts	65,738,684.2	24,428,397.5	17,327,088.1	2,513,904.7
Reinsurance expenses	(21,024,189.2)	(11,950,647.5)	(18,860,051.7)	(2,736,315.1)
Taxes and surcharges	602,003,976.7	362,193,286.0	460,624,414.0	66,829,802.5
Selling expenses	2,070,051,067.9	2,401,804,783.6	2,411,320,839.7	349,847,056.9
Administrative expenses	2,288,097,484.3	2,387,776,412.3	2,708,473,369.8	392,959,502.3
Research and development expenses	58,316,649.4	223,620,406.2	242,481,128.3	35,180,432.1
Financial expenses	4,713,343,298.2	5,182,960,828.6	5,956,357,733.7	864,179,576.9
Including: Interests expense	5,619,110,796.8	6,317,337,429.3	7,325,225,321.7	1,062,782,056.1
Interests revenue	1,245,203,538.3	1,392,507,730.0	1,465,008,253.2	212,551,070.5
Foreign exchange gains	56,610,281.8	—	130,562,002.7	18,942,619.2
Foreign exchange losses	—	8,921,946.3	—	—
Asset Impairment loss	926,502,161.2	979,292,057.4	2,073,907,499.1	300,893,362.2
Add: Other income	—	632,985,065.7	652,924,958.4	94,729,772.7
Investment income (or less: losses)	1,986,879,937.2	2,829,801,639.8	6,971,043,700.1	1,011,395,531.4
Including: investment income from associates and joint ventures	98,987,999.6	239,929,353.3	453,439,739.4	65,787,412.3
Gains on foreign exchange (or less: losses)	21,588,912.5	(2,784,209.4)	18,883,879.7	2,739,772.2
Gains on changes of fair value (or less: losses)	(85,253,842.8)	(111,407,614.2)	(286,938,841.4)	(41,630,590.0)
Gains on disposal of non-current assets (or less: losses)	(13,721,282.6)	(21,033,055.9)	(4,325,434.6)	(627,556.7)
3. Operating Profit ("—" for loss)	4,480,391,371.7	6,812,981,608.6	7,650,908,147.3	1,110,033,826.2
Add: Non-operating revenue	912,477,203.0	405,717,610.7	325,709,975.1	47,255,709.1
Including: Gain from disposal of noncurrent assets	10,610,642.8	—	—	—
Including: Governmental grants	652,132,289.7	27,941,131.4	59,767,235.3	8,671,343.5
Gains from debt restructuring	60,339,467.8	628,710.4	—	—
Less: Non-operating expenditures	133,940,955.1	563,431,321.7	889,252,992.8	129,017,481.7
Including: Loss from disposal of noncurrent assets	95,728,147.7	—	—	—
Including: Gain of debt restructuring	—	4,114,605.1	163,020.1	23,651.8
4. Profit before tax (or less: total loss)	5,258,927,619.6	6,655,267,897.7	7,087,365,129.6	1,028,272,053.6
Less: Income tax	1,878,478,438.8	1,839,089,294.0	1,213,661,230.3	176,084,327.9
5. Net Profit ("—" for loss)	3,380,449,180.8	4,816,178,603.7	5,873,703,899.3	852,187,725.7
Classified by ownership:				
Net profit attributable to owners of parent company	1,672,717,347.8	2,773,370,079.4	2,954,961,547.8	428,721,298.2
Minority interest income	1,707,731,833.0	2,042,808,524.3	2,918,742,351.5	423,466,427.5
Classified by going concern method:				
Income of continuing operating	—	4,816,178,603.7	5,873,703,899.3	852,187,725.7
Income of terminate operating	—	—	—	—

	For the year ended 31 December			
	2016	2017	2018	2018
	(Audited) (RMB)	(Audited) (Amended and Restated) (RMB)	(Audited) (RMB)	(Unaudited and unreviewed) (USD)
6. Other comprehensive income after tax	(253,952,522.1)	(198,782,168.0)	108,487,778.1	15,739,975.1
Other comprehensive income after tax attributable to parent company	(127,195,948.4)	(110,201,994.4)	11,453,509.9	1,661,735.2
(a) Other comprehensive income cannot be reclassified into the profit and loss in the future .	—	—	160,313,249.3	23,259,085.9
Including changes in remeasurement on the net defined benefit liability/asset.	—	—	—	—
Items attributable to investees under equity method that will not be reclassified to profit or loss	—	—	160,313,249.3	23,259,085.9
Others	—	—	—	—
(b) Other comprehensive income that will be reclassified into gains and losses	(127,195,948.4)	(110,201,994.4)	(148,859,739.4)	(21,597,350.7)
Including: 1. Items attributable to investees under equity method that may be reclassified to profit or loss	(11,657,899.5)	15,056,999.8	166,553,487.0	24,164,452.2
2. Gains or losses from changes in fair value of available for sale financial assets	(251,445,998.9)	(91,716,238.1)	(106,607,283.3)	(15,467,143.0)
3. The effective portion of gains or losses from cash flow hedges	50,387,021.8	—	—	—
4. Discount differences on translation of foreign currency financial statements	85,520,928.1	(33,542,756.1)	(208,805,943.1)	(30,294,659.9)
5. Others	—	—	—	—
(c) Other comprehensive net income after taxation attributable to non-controlling interests	(126,756,573.7)	(88,580,173.6)	97,034,268.2	14,078,239.9
7. Total comprehensive income	3,126,496,658.7	4,617,396,435.7	5,982,191,677.5	867,927,700.8
Including: items attributable to parent company . . .	1,545,521,399.4	2,663,168,085.0	2,966,415,057.7	430,383,033.4
Items attributable to minority interest	1,580,975,259.3	1,954,228,350.7	3,015,776,619.8	437,544,667.4

Consolidated Balance Sheet

	As at 31 December			
	2016	2017	2018	2018
	(Audited) (RMB)	(Audited) (RMB)	(Audited) (RMB)	(Unaudited and unreviewed) (USD)
CURRENT ASSETS:				
Cash and cash equivalents	45,342,883,419.4	40,070,376,847.4	38,629,853,312.0	5,604,621,445.3
Loan to other banks	—	1,207,292,800.0	1,269,279,600.0	184,153,732.3
Financial assets measured at fair value through profits and losses of the current periods	5,537,982,883.3	7,281,656,304.9	6,724,698,874.9	975,654,533.9
Receivables	—	5,439,324,234.2	6,189,877,272.6	898,059,814.7
Notes receivable	338,109,740.1	—	—	—
Accounts receivable	3,939,400,839.4	—	—	—
Prepayments	3,276,015,203.0	4,397,099,933.8	2,673,036,346.3	387,818,113.4
Premiums receivable	69,187,831.3	60,647,626.5	70,881,752.7	10,283,895.9
Reinsurance accounts receivable	50,775,315.8	87,054,038.3	159,723,596.8	23,173,536.0
Reinsurance reserves receivable	85,000,889.0	128,396,302.0	150,265,348.8	21,801,283.8
Interests receivable	1,261,572,510.5	—	—	—
Dividend receivable	2,308,689.7	—	—	—
Other receivables	8,763,794,165.1	15,839,221,010.3	21,164,477,164.0	3,070,653,197.5
Redemptory financial assets for sale	20,092,528,335.1	15,058,130,001.8	1,610,803,085.0	233,703,748.3
Inventories	21,163,580,456.8	22,511,759,957.2	21,332,043,056.9	3,094,964,534.9
Including: Raw materials	368,378,346.3	656,006,118.6	1,409,283,382.4	204,466,214.3
Goods on hand (finished products)	3,834,646,442.8	4,477,639,151.3	2,872,944,653.6	416,821,857.6
Non-current assets due within one year	770,533,940.7	1,202,277,040.9	192,922,842.3	27,990,256.4
Other current assets	18,233,301,614.1	24,306,847,870.7	15,312,536,590.2	2,221,623,009.1
Total Current Assets	128,926,975,833.2	137,590,083,968.0	115,480,398,842.4	16,754,501,101.5
NON-CURRENT ASSETS:				
Loans and advances	56,760,927,963.9	64,288,933,970.1	72,607,758,710.6	10,534,313,922.5
Available-for-sale financial assets	50,100,270,592.5	69,704,820,613.0	88,548,350,587.3	12,847,058,482.0
Held-to-maturity investments	37,172,992,571.0	41,629,293,319.5	37,104,550,884.4	5,383,322,580.3
Long-term account receivables	9,020,246,360.3	16,851,979,008.6	22,493,683,846.8	3,263,501,464.9
Long-term equity investments	7,010,233,319.4	12,481,449,423.1	17,470,438,229.4	2,534,702,681.1
Investment property	899,436,579.7	1,815,175,163.2	2,948,239,157.5	427,745,978.6
Fixed assets	36,941,539,369.3	42,045,856,816.2	84,939,663,522.5	12,323,491,261.9
Construction in progress	47,940,408,646.3	72,767,325,830.4	52,230,079,116.2	7,577,813,437.2
Construction materials	1,172,644.7	—	—	—
Disposal of fixed asset	132,034.5	—	—	—
Productive biological assets	23,527,850.3	28,827,611.3	31,928,876.1	4,632,408.6
Intangible assets	64,710,412,593.2	67,196,846,098.2	85,414,807,342.7	12,392,427,615.9
Development costs	36,110,951.6	6,093,687.1	10,590,487.3	1,536,523.4
Goodwill	1,027,388,220.4	1,080,451,029.0	1,117,331,102.9	162,108,248.5
Long-term deferred expenses	1,028,936,614.1	950,073,440.9	959,412,398.8	139,196,575.8
Deferred income tax assets	1,251,889,975.5	1,943,528,098.0	2,860,061,750.1	414,952,738.5
Other Non-Current Assets	15,330,001,225.0	23,795,484,577.5	30,369,200,136.2	4,406,122,616.8
Total Non-Current Assets	329,255,627,511.9	416,586,138,685.8	499,106,096,148.6	72,412,926,535.9
TOTAL ASSETS	458,182,603,345.1	554,176,222,653.8	614,586,494,991.0	89,167,427,637.4

	As at 31 December			
	2016	2017	2018	2018
	(Audited) (RMB)	(Audited) (RMB)	(Audited) (RMB)	(Unaudited and unreviewed) (USD)
CURRENT LIABILITIES:				
Short term borrowings	6,817,751,741.8	10,991,130,917.8	9,701,203,883.1	1,407,501,470.2
Borrowings from central bank	2,140,476,250.0	3,166,428,312.5	3,646,927,706.5	529,115,372.7
Deposits from customers and interbank	118,274,465,647.8	118,805,260,637.8	117,263,786,921.7	17,013,244,384.7
Loan from other banks and other financial institutions	3,080,000,000.0	6,686,000,000.0	10,351,070,000.0	1,501,787,450.1
Payables	—	16,455,902,922.4	22,339,771,678.3	3,241,171,081.4
Notes payable	1,092,135,994.7	—	—	—
Accounts payable	11,887,504,077.8	—	—	—
Advances received	4,309,495,864.1	5,057,962,722.0	7,384,731,709.0	1,071,415,554.4
Financial assets sold for repurchase	20,044,598,546.5	22,020,150,000.0	5,757,654,109.0	835,350,614.3
Handling fee and commission	20,138,811.7	24,271,267.5	22,078,602.2	3,203,279.2
Employee benefits payable	858,170,090.7	871,905,988.0	961,822,232.6	139,546,207.1
Including: Accrued payroll	649,711,502.0	616,289,532.2	660,131,866.7	95,775,388.7
Welfare benefits payable	536,408.3	7,274,055.1	6,109,990.4	886,469.4
Taxes and surcharges payable	1,251,156,018.3	1,620,150,638.8	1,618,487,513.4	234,818,645.4
Including: Taxes payable	1,219,586,818.4	1,490,124,415.7	1,604,523,336.9	232,792,649.5
Interests payable	3,265,704,290.3	—	—	—
Dividends payable	247,696,988.5	—	—	—
Other payables	17,503,667,235.7	19,496,097,836.6	24,644,673,472.9	3,575,578,305.8
Reinsurance payable	72,718,682.9	122,262,402.6	131,379,347.9	19,061,203.9
Provision for insurance contracts	1,448,907,291.7	1,564,971,373.6	1,656,287,695.3	240,302,893.8
Non-current liabilities due within one year	3,712,292,344.4	4,896,424,258.7	10,443,557,980.7	1,515,206,090.8
Other current liabilities	9,802,412,687.0	9,500,135,625.0	9,328,049,671.7	1,353,362,302.7
Total current liabilities	<u>205,829,292,563.9</u>	<u>221,279,054,903.3</u>	<u>225,251,482,524.3</u>	<u>32,680,664,856.6</u>
NON-CURRENT LIABILITIES:				
Long-term borrowing	71,725,434,708.7	95,854,172,738.4	118,109,159,199.1	17,135,895,422.4
Bonds payable	59,280,638,945.9	72,096,813,334.8	82,927,778,492.4	12,031,596,444.3
Long-term payables	5,146,908,680.6	5,690,543,724.8	5,963,833,489.6	865,264,198.7
Long-term employee benefits payable	55,361,736.9	47,527,246.6	165,288,319.1	23,980,895.0
Specific item payable	308,005,649.6	—	—	—
Accrued Liabilities	114,023,126.3	74,096,378.0	28,264,472.4	4,100,757.7
Deferred revenue	2,149,126,749.5	2,460,209,074.8	2,715,509,065.1	393,980,277.9
Deferred tax liabilities	787,207,236.9	943,432,226.6	1,248,576,391.3	181,150,002.4
Other Non-current Liabilities	584,076,736.4	316,960,585.0	406,145,955.6	58,925,782.5
Total Non-Current Liabilities	<u>140,150,783,570.9</u>	<u>177,483,755,309.1</u>	<u>211,564,555,384.5</u>	<u>30,694,893,780.8</u>
TOTAL LIABILITIES	<u>345,980,076,134.8</u>	<u>398,762,810,212.4</u>	<u>436,816,037,908.8</u>	<u>63,375,558,637.5</u>
Owners' equity (or shareholders' equity):				
Paid-up capital (or share capital)	20,056,415,293.3	20,056,415,293.3	23,338,335,563.0	3,386,047,959.8
Other equity instruments	12,500,000,000.0	20,100,000,000.0	26,000,000,000.0	3,772,216,177.0
Including: Perpetual bond	12,500,000,000.0	20,100,000,000.0	26,000,000,000.0	3,772,216,177.0
Capital reserves	7,748,833,773.1	12,834,340,904.1	9,569,052,168.1	1,388,328,207.2
Other comprehensive income	260,296,378.9	150,094,384.5	164,638,306.8	23,886,587.9
Including: exchange differences on translating foreign operations	30,907,696.4	(2,635,059.7)	(211,441,002.8)	(30,676,968.1)
Special reserves	155,127,660.5	162,060,381.1	210,418,946.4	30,528,682.8
Surplus reserves	1,090,703,720.3	1,137,059,283.3	1,329,806,450.6	192,935,284.8
Including: Statutory surplus reserve	1,090,703,720.3	1,137,059,283.3	1,329,806,450.6	192,935,284.8
Provision for normal risks	737,762,978.2	893,161,152.9	982,826,854.5	142,593,667.7
Undistributed profits	7,796,221,945.3	9,488,687,218.0	10,484,026,391.0	1,521,077,459.7
Total equity attributable to the shareholders of parent company	50,345,361,749.6	64,821,818,617.1	72,079,104,680.3	10,457,614,026.9
Minority shareholders' equity	61,857,165,460.7	90,591,593,824.3	105,691,352,401.8	15,334,254,973.1
Total owners' equity	<u>112,202,527,210.3</u>	<u>155,413,412,441.4</u>	<u>177,770,457,082.1</u>	<u>25,791,868,999.9</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>458,182,603,345.1</u>	<u>554,176,222,653.8</u>	<u>614,586,494,991.0</u>	<u>89,167,427,637.4</u>

Other Financial Data of the Group

	For the year ended 31 December		
	2016	2017	2018
Profit before tax	5,258,927,619.6	6,655,267,897.7	7,087,365,129.6
Interest expense	5,619,110,796.8	6,317,337,429.3	7,325,225,321.7
Depreciation ⁽¹⁾	2,407,346,626.2	2,694,862,863.0	2,575,586,004.0
Amortisation ⁽²⁾	1,825,801,593.0	1,737,824,485.6	2,122,860,364.3
EBITDA ⁽³⁾	15,111,186,635.6	17,405,292,675.6	19,111,036,819.6

Notes:

- (1) Depreciation refers to fixed assets depreciation, depletion of oil and gas assets and productive biological assets depreciation.
- (2) Amortisation refers to intangible assets amortisation.
- (3) EBITDA equals the sum of profit before tax, interest expense, depreciation and amortisation.

SUMMARY OF THE OFFERING

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Securities” have the same meanings in this summary.

Terms of the Offering

Issuer	Coastal Emerald Limited (the legal entity identifier (“ LEI ”) of the Issuer is 213800VJW5J633T5WS61).
Company	Shandong Hi-Speed Group Co., Ltd.
Securities	US\$900,000,000 4.30 per cent. Guaranteed Perpetual Securities (the “ Securities ”).
Guarantee	The Company has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities (the “ Guarantee of the Securities ”) and under the Trust Deed.
Issue Price	100 per cent.
Form and Denomination .	The Securities will be issued in registered form and in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Distribution	Subject to Condition 4(d) of the Terms and Conditions, the Securities confer a right to receive distribution (each a “ Distribution ”) from, and including 1 August (the “ Issue Date ”) at the Distribution Rate in accordance with Condition 4 of the Terms and Conditions. Subject to Condition 4(d) of the Terms and Conditions, Distribution shall be payable on the Securities semi-annually in arrear on 1 February and 1 August of each year (each, a “ Distribution Payment Date ”), commencing on 1 February 2020.
Distribution Rate	(a) Subject to any increase pursuant to Condition 4(e) of the Terms and Conditions, the rate of distribution (“Distribution Rate”) applicable to the Securities shall be: (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, 1 August 2024 (the “First Call Date”), the Initial Distribution Rate; and (ii) in respect of the period (A) from, and including, the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Pursuant to Condition 4(e) of the Terms and Conditions, upon the occurrence of Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent pursuant to Condition 5 of the Terms and Conditions by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate shall be 5.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate, as further described in “*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events*”.

If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event **provided that** the maximum aggregate decrease in the Distribution Rate shall be 5.00 per cent. per annum.

Distribution Deferral . . . The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date (a “**Optional Deferral Event**”).

No Obligation to Pay . . . The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) of the Terms and Conditions and notwithstanding any other provisions of the Terms and Conditions or the Trust Deed, the deferral of any Distribution payment in accordance with Condition 4(d) of the Terms and Conditions shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 of the Terms and Conditions) on the part of the Issuer or the Company under the Securities or the Guarantee of the Securities or for any other purpose.

Cumulative Deferral. . . . Any Distribution deferred pursuant to Condition 4(d) of the Terms and Conditions shall constitute “**Arrears of Distribution**”. Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the “**Additional Distribution Amount**”). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) of the Terms and Conditions) to further defer (in whole or in part) any Arrears of Distribution by complying with the notice requirement applicable to any deferral of Distribution set out in the Terms and Conditions and is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred.

Restrictions in the case of Deferral The Issuer undertakes that unless the Payment Condition has been fully satisfied or the Issuer is otherwise permitted to do so by an Extraordinary Resolution of the Holders:

- (A) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Company (except (i) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
- (B) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Company (except (i) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Securities for Junior Securities of the Issuer or the Company, as the case may be).

The Company undertakes that unless the Payment Condition has been fully satisfied or the Issuer or the Company is otherwise permitted to do so by an Extraordinary Resolution of the Holders:

- (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Company (except (i) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
- (2) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Company (except (i) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer or the Company, as the case may be).

Issue Date 1 August 2019.

Maturity Date There is no maturity date.

Status of Securities and Guarantee of the Securities The Securities constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.

The Guarantee of the Securities constitutes direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

NDRC Registration The Company will undertake to:

- (i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015 (the “**NDRC Post-issue Filing**”) and any implementation rules as issued by the NDRC from time to time; and
- (ii) within 10 business days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate in English signed by any authorised signatory of the Company confirming the submission of the NDRC Post-issue Filing.

SAFE Registration The Company will undertake to:

- (i) file or cause to be filed with the Shandong Branch of the State Administration of Foreign Exchange of the PRC (“**SAFE**”) for the registration of the Guarantee of the Securities within 15 business days after execution of the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “**Cross-Border Security Registration**”);
- (ii) comply with all applicable PRC laws and regulations in relation to the provision of the Guarantee of the Securities;
- (iii) before the Registration Deadline and within five business days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company confirming the Cross-Border Security Registration and (ii) copies of the relevant SAFE registration certificates, any other document evidencing the completion of registration issued by SAFE and the particulars of registration (the items specified in (i) and (ii) together, the “**Registration Documents**”); and
- (iv) shall procure that within five business days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Holders confirming the completion of the Cross-Border Security Registration.

Taxation All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or the PRC, any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each as applicable, a “**Relevant Jurisdiction**”), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

In the event the Issuer or the Company is required to make such deduction or withholding, the Issuer or the Company, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts referred to in Condition 7 of the Terms and Conditions shall be payable in respect of any Securities in the limited circumstances as further described therein.

**Redemption at the Option
of the Issuer**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date.

**Redemption for Tax
Reasons**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(c) of the Terms and Conditions.

**Redemption for Change
of Control**

Following the occurrence of a Change of Control, the Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent at a redemption price equal to (i) 101 per cent. of their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, as further described in Condition 5(e) of the Terms and Conditions.

Redemption for Accounting Reasons . .	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Holders and the Principal Paying Agent at (a) 101 per cent. of their principal amount together with any Distribution accrued to the date fixed for redemption, at any time before the First Call Date; or (b) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to, or a change or amendment to any interpretation of, the Relevant Accounting Standards, the Securities must not or must no longer be recorded as "equity" of the Company or China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) pursuant to their respective Relevant Accounting Standards.
Redemption on the occurrence of a Breach of Covenant Event a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event.
Redemption for Minimum Outstanding Amount. .	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.
Limited rights to institute proceedings	No Holder shall be entitled to proceed directly against the Issuer or the Company or to institute proceedings for the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Company as those which the Trustee is entitled to exercise as set out in Condition 8 of the Terms and Conditions.

Proceedings for Winding-Up	(i) If (A) there is a Winding-Up of the Issuer or (B) the Issuer shall not make payment in respect of the Securities or under the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Issuer and the Company shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee of the Securities and the Trustee may, subject to the provisions of paragraph (d) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment. (ii) Without prejudice to Condition 8(b)(i), if (A) there is a Winding-Up of the Company or (B) the Company shall not make payment in respect of the Guarantee of the Securities or the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Guarantee of the Securities and the Trustee may, subject to the provisions of paragraph (d) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.				
Clearing Systems	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.				
Security Codes.	<table> <tr> <th data-bbox="715 1254 785 1288">ISIN</th><th data-bbox="1104 1254 1289 1288">Common Code</th></tr> <tr> <td data-bbox="657 1299 842 1332">XS2032636438</td><td data-bbox="1129 1299 1264 1332">203263643</td></tr> </table>	ISIN	Common Code	XS2032636438	203263643
ISIN	Common Code				
XS2032636438	203263643				
Governing Law	The Securities, the Trust Deed and the Deed of Guarantee will be governed by and will be construed in accordance with the laws of England.				
Principal Paying Agent, Paying Agent Registrar and Transfer Agent. . .	Citibank, N.A., London Branch				
Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 on the SGX-ST (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.				

Ratings	Fitch has assigned a corporate rating of “A” with a stable outlook and Moody’s has assigned a corporate rating of “A3” with a stable outlook to the Company. The Securities are expected to be rated “A-” by Fitch and “A3” by Moody’s. Such ratings are only correct as at the date of this Offering Circular. The rating is not a recommendation to buy, sell or hold the Securities or any other securities of the Issuer and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Securities, see “Risk Factors”.
Bonds	Concurrently with this offering, the Issuer is conducting an offering of its US\$500,000,000 4.30 per cent. guaranteed bonds due 2022 (the “ Bonds ”). The offering of the Bonds is being made pursuant to a separate offering circular for the Bonds and not pursuant to this Offering Circular.

RISK FACTORS

In addition to other information in this Offering Circular, you should carefully consider the following risk factors, together with all other information contained in this Offering Circular (including the financial statements and the notes thereto), before purchasing the Securities. The risks and uncertainties described below may not be the only ones that the Group faces. Additional risks and uncertainties that the Group is not aware of or that the Issuer or the Company currently believes are immaterial may also adversely affect the Group's business, financial condition or results of operations. If any of the possible events described below occur, the Group's business, financial condition or results of operations could be materially and adversely affected, the trading price of the Securities could decline and investors may lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESSES

The Group is subject to project development risks and cost overruns, and delays may adversely affect the Group's results of operations.

There are a number of construction, financing, operating and other risks associated with project developments in the PRC. Projects of the types undertaken by the Group typically require substantial capital expenditures during the construction phase and usually take many years before they become operational and generate revenue. The time taken and the costs involved in completing construction of projects can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental policies, approval time and other unforeseen circumstances. Any of these could give rise to delays in the completion of the construction phase and/or cost overruns. Construction delays may result in loss of revenues. Failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. Although the majority of the Group's projects have been completed on schedule, there can be no assurance that this will remain the case or that future infrastructure projects will be completed on time, or at all, and that the completed infrastructure projects will generate satisfactory returns.

Future growth prospects of the Group will be affected by its ability to develop new projects successfully.

The future growth prospects of the Group will depend to some extent upon its ability to develop future projects. The development of future projects could be affected by many factors, including general political and economic conditions in the PRC, prevailing interest rates, construction costs and the cost and availability of necessary land or land use rights. The Group's capability to develop future projects will depend, among others, on its ability to obtain relevant government approvals, to reach agreement with potential joint venture partners on satisfactory commercial and technical terms and to enter into binding contracts with such parties, and to obtain external financing to fund the construction costs of projects. While the Group is experienced in conducting such negotiations, there can be no assurance that any particular project will be successful. Each project will also require specific government consents and approvals as part of the development process, and there can be no assurance that such government approvals can be obtained. Also, there can also be no assurance that the Group's future projects will be conducted on terms that are equivalent to or as favourable as the Group's existing projects. Failure to develop new projects may materially and adversely affect the Group's growth prospects.

The Group's business, financial condition and results of operations are dependent on the level of economic activity in Shandong province.

A substantial proportion of the Group's businesses and assets are located in the Shandong region. Accordingly, the Group's business, financial condition and results of operations have been and will continue to be dependent on the level of economic activity in Shandong. Shandong province has undergone a period of rapid economic development in recent years. These developments have greatly benefited the Group and have enabled the Group to grow at a rapid pace. However, there can be no assurance that the level of economic activity in Shandong will continue to grow at the pace that it has achieved in the past, or at all. In the event of any slow-down in growth or any unfavourable developments, the Group's business, financial condition and results of operations may be materially and adversely affected.

The performance of the Group's business is dependent on future economic growth in the PRC and globally and adverse economic conditions would negatively affect the Group's business.

The growth of the Group's business is largely dependent upon the continuation of economic development and growth in the PRC, which will increase demand for expressways, railways, construction, ports shipping, logistics and trading, financial investment, property development, and related services. The PRC, including Shandong province in which the Group's major operations and investments are located, has experienced rapid economic development in recent years, but there can be no assurance that such growth will continue at such rates either in the PRC generally or in the aforementioned areas or at all. A sustained period of slower growth in the PRC in general could have a material and adverse effect on the financial condition and operating results of the Group, as well as on its prospects to identify, invest in and develop new projects and businesses.

In addition, any slowdown in the economies of the United States, the European Union and other Asian countries may materially and adversely affect economic growth in the PRC and elsewhere. There can be no assurance that the Group's business, financial position and operating results, as well as its future prospects, will not be materially and adversely affected by an economic downturn in any of these countries.

Although the global economy has been recovering slowly from the 2008 financial crisis, it is uncertain whether such recovery is stable or sustainable. For example, the real GDP growth rate of the PRC decreased from 7.7% in 2012 and 2013 to 7.3% in 2014 and further 6.9% in 2015, 6.8% in 2016, 6.9% in 2017 and 6.6% in 2018. In March 2016, Moody's and S&P Global Ratings changed the PRC's credit rating outlook to "negative" from "stable" and in May 2017 and September 2017, respectively, Moody's officially downgraded the PRC's credit rating from "Aa3 (negative)" to "A1 (stable)" and S&P Global Ratings officially downgraded the PRC's credit rating from "AA- (negative)" to "A+ (stable)", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. More recently, rising government deficits and debt levels across the globe together with a wave of downgrading of sovereign debt in major western economies have caused turmoil in the global financial markets. On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draft and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union or prolonged periods of uncertainty relating to any of these possibilities, could result in political, social or macroeconomic slowdowns or economic conditions deteriorate, the Group's business, results of operations and financial condition may be adversely affected. Recently, the rise in tension between the United States and the PRC, Mexico, Canada and certain European countries may also increase market volatility, in particular as a result of the U.S.-China trade dispute. These prospective protective measures may hamper the economic stability of the PRC. Increasing trade tensions between the United States and certain major

nations, the unclear outcomes of the negotiations of the United Kingdom to leave the European Union, the fluctuation of the U.S. dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market.

The Group's businesses may require substantial capital investment.

The Group will require additional financing to fund capital expenditures, to support the future growth of its business and/or to refinance existing debt obligations. The Group's businesses may require substantial capital investment, particularly for the acquisition, development and expansion of transportation infrastructure projects. As at 31 December 2018, the Group had invested RMB249.9 billion in expressways currently under construction and proposed expressway construction projects. In addition, the Group has been commissioned by the provincial government to invest in and construct railway and had to raise financing for construction costs amounting to RMB7.1 billion as at 31 December 2018.

The Group has historically required and expects that in the future it will continue to rely on external financing to fund its capital expenditures. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including global economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, obtaining the necessary PRC government approvals to raise financing for projects, changes in the monetary policy of the PRC government with respect to bank interest rates and lending policies and the political and economic conditions in the PRC generally. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Failure to obtain the necessary financing may have a material and adverse effect on the Group's business, financial position and results of operations.

In addition, the ownership and/or use of rights in respect of certain assets of the Group are restricted pursuant to certain pledges and guarantee arrangements in favour of certain lenders of the Group. If there occurs any default under the relevant loans or guarantees, the lenders may choose to take action to enforce their rights under the pledge contracts or guarantee arrangements. In such circumstances, the Group may lose control over the relevant assets that are the subject of the enforcement action, which may adversely affect the business, financial condition and results of operations of the Group.

The Group's business may be affected by fluctuations in interest rates and the general availability of credit.

The Group is exposed to interest rate risk resulting from fluctuations in interest rates payable on its debt and changes in interest rates will also affect its finance expenses and, ultimately, its results of operations. As the Group relies to a large extent on external financing to secure investment capital to finance the expansion of its various business segments, the Group is sensitive to the cost of capital in securing these loans (a substantial portion of which are based on floating rates of interest). If the PBOC were to raise benchmark lending rates, the Group's finance expenses will increase, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group has substantial bank loans and most of them bear interests that accrue at rates linked to benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under such bank loans and in turn negatively affect the Group's financing costs and results of operations.

From time to time, the PBOC adjusts interest rates as implementation of its economic and monetary policies. In recent years, a perceivable slowdown in the growth of the economy of the PRC caused the PRC government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since November 2014, PBOC has reduced the benchmark one-year lending rate six times in less than one year to 4.35%.

For the years ended 31 December 2016, 2017 and 2018, the Group incurred interest expenses of RMB5,619.1 million, RMB6,317.3 million and RMB7,325.2 million, respectively. Although the Group's financial condition and results of operations may benefit from a low-interest rate environment, there is no assurance that this environment will continue. In particular, any increase in the benchmark lending rate by PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

The Group may not be able to expand its business effectively through acquisitions, investments, joint ventures and new business lines. The Group may also need to incur additional debt to finance such expansion activities.

The Group's business strategy includes selective acquisition of new assets or businesses, entering into new strategic alliances and joint ventures and investing in or entering into new business lines. The Group also intends to expand its businesses along the region of the Belt and Road Initiatives. The Group's ability to achieve and benefit from such acquisitions, investments, alliances and joint ventures will depend upon a number of factors, some of which are beyond its control. These factors include, but are not limited to, the Group's ability to maintain, expand or develop its customer relationships; identify assets or businesses for acquisition, investments, joint ventures or alliances that suits its development strategy; execute the acquisition or complete the investments within the timeframe or budget anticipated or integrate any business it acquires; identify additional new markets; work with its joint venture partners or other shareholders; and train and retain qualified personnel to manage and operate its growing business and any new business lines. There can be no assurance that all or any of the proposed acquisitions, investments, joint ventures or alliances will be consummated on commercially acceptable terms, if at all. In addition, such expansion will require the Group to continuously upgrade and improve its risk management controls and systems. The failure to manage any of these factors effectively may have a material and adverse effect on the Group's business, financial position and results of operations.

Further, business growth could place a significant strain on the Group's managerial, operational and financial resources. Integrating new assets or businesses into the Group's operational framework and ensuring their proper management may involve unanticipated delays, costs and operational problems, in particular with respect to business lines with which the Group has not had extensive experience. The Group may encounter difficulties in realising anticipated synergies. The Group may encounter unexpected problems or have disagreements or conflicting interests with its joint venture or alliance partners or the other shareholders of its acquisitions. As a result, the Group may be unable to derive profit from such acquired businesses. Any such problems may impair the Group's competitiveness or growth prospect and materially and adversely impact the Group's business, financial condition and results of operations. Further, with respect to some joint ventures or equity investments in which the Group only holds a minority stake, the Group may not have any board representation or veto power. In case of disagreements with the Group's partners, management may be required to divert attention away from other aspects of its businesses to address these disagreements. Acquisitions also pose the risk that the Group may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that the Group conducts in connection with an acquisition may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies may not be sufficient to protect it from, or compensate it for, actual liabilities. A material liability associated with an acquisition could adversely affect the Group's reputation and reduce the benefits of the acquisition and may have a material and adverse effect on the Group's business, financial position and results of operations.

The Group's corporate structure, which consists of a large number of companies operating in multiple business lines, exposes it to risks and challenges not found in companies with a single business line. The Group may also not successfully manage its diversification strategy.

The Group consists of a large number of subsidiaries operating in multiple industries. Due to the diverse lines of businesses in which the Group's subsidiaries operate, the Group is exposed to risks and challenges not found in companies with a single business line. In particular, the Group is exposed to business, market and regulatory risks relating to the various industries that it operates in. The Group needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies and solutions that can accommodate the needs of the affected subsidiaries.

As the Group continues to grow and diversify into new industries, it will have to continue to improve its managerial, technical, operational and other resources, and to implement an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on its subsidiaries. As the Group continues to grow in an increasing number of different industries, its operations will become more widespread and complex, which will create challenges and increase the difficulty of implementing the Group's management and internal control system. In particular, it will become increasingly difficult for the Group to directly monitor the day-to-day operations of its businesses and to prevent and detect fraud and protect the Group's assets, both physical and intangible. Also, in order to fund the Group's ongoing and new operations, the Group requires sufficient internal liquidity or access to additional financing from external sources. Further, the Group will be required to manage its relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties.

Moreover, as one or more of its subsidiaries or joint venture companies, such as Shandong Hi-Speed Company Limited (山東高速股份有限公司)(formerly known as Shandong Expressway Company Limited) (Shanghai Stock Exchange stock code: 600350), Shandong Hi-Speed Road & Bridge Co., Ltd (山東高速路橋集團股份有限公司)(Shenzhen Stock Exchange stock code:000498), Bohai Ferry Holdings Company Limited (渤海輪渡股份有限公司)(Shanghai Stock Exchange stock code: 603167) and China Shandong Hi-Speed Financial Group Limited (Hong Kong Stock Exchange stock code: 0412), is or may become listed companies in the PRC, any transfer of funds into or out of these companies will be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Therefore, subsidiaries with funding needs may not be able to obtain financial support from the Group in a timely manner, or at all.

There can be no assurance that the Group will not experience issues such as capacity and capital constraints, construction delays, operational difficulties at new facilities or difficulties in upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. Any failure of the Group to implement its expansion plans in a timely manner could have a material and adverse effect on the Group's business, financial position and operating results, as well as the Group's future prospects.

The Issuer has limited material assets and revenue and will need to rely on cash flows from other Group members (particularly the Company) to service its obligations under the Securities.

The Issuer is a special purpose vehicle with limited assets and revenue. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the proposed issue of securities (including the Securities) and the proposed use of the proceeds of the Securities refinancing and general corporate purposes. Accordingly, the Issuer has limited assets to meet its obligations under the Securities and its ability to make payments in respect thereof also depends largely upon the receipt of funding, such as equity injections, from the Company.

The ability of the Company to provide funding to the Issuer is subject to its operating performance and profitability, and to applicable laws. However, there is no assurance that the Company will not incur losses in the future and will always be able to provide liquidity support to the Issuer.

The Group has certain uninsured risks.

The Group maintains insurance policies covering both its assets and employees in line with general business practices in the PRC in the relevant industries, with policy specifications and insured limits which the Group believes are adequate and in line with industry practice. Risks insured include fire, flooding, other material damage to property and public liability. There are, however, certain types of losses (such as losses arising from wars, acts of terrorism or acts of God) that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the property, as well as anticipated future revenue and, in the case of debt that is with recourse to the Group, the Group may remain liable for financial obligations related to the relevant property. Any such loss could materially and adversely affect the results of operations and financial condition of the Group.

The Group may be unable to comply with all relevant laws and regulations in the PRC relating to the development, construction and operation of its business projects.

The Group's projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirements for building, operation and construction of new projects, landscape conservation and environmental conservation.

In particular, before the Group constructs and operates its various projects, the Group must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary by local area and certain provinces may reject requests for permits for a variety of reasons. After the projects are completed, the Group is also required to complete certain acceptance checks with the relevant governmental authority. The Group is now in the process of obtaining approvals or permits for certain construction projects. Furthermore, operational and construction permits granted successfully to the Group in some provinces may be subject to challenge by third parties. Finally, the Group must comply with the relevant laws and regulations and the conditions imposed in the operational and construction permits, and there can be no assurance that the Group will be able to do so, which may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licences or permits. These factors could have a material and adverse effect on the Group's business, financial condition or results of operations.

The Group may incur additional costs to comply with environmental laws should the PRC government adopt more stringent environmental laws and standards.

In the PRC, environmental protection is governed by the Environmental Protection Law and a number of related laws and regulations covering air pollution, air quality, water and ocean pollution, noise pollution and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local regulations and standards to suit the local situations. Although these laws and regulations relate principally to pollution and hazardous substances, the Group's core business segments may still have an impact on the natural environment due to the construction and presence of expressways, railways, ports, logistics parks and other large-scale works relating to their maintenance and repair. For example, during the expressway construction period, land adjacent to the expressway is acquired to carry out large-scale operations, such as excavation, earth filling and waste disposal by landfill. These operations may have a negative impact on the land, rivers and vegetation surrounding the expressway. Vehicles travelling on the expressway can also emit gas pollutants and create noise pollution, contributing to the environmental pollution.

In particular, under PRC laws and regulations, the Group's projects are required to undergo environmental assessments and the Group is required to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. The PRC Environmental Impact Assessment Law 《中華人民共和國環境影響評價法》 was amended on 2 July 2016 to include harsher punishment for non-compliance. If a construction project has not submitted an environmental impact assessment report or an environmental impact analysis table or has not obtained approval from the relevant government authorities before commencement of construction, a fine equal to 1% to 5% of the total investment amount of the project, and an order to restore the land to its original condition could be imposed. As far as the Group is aware, the Group have passed or are in the process of the environment impact assessments for the construction projects but there can be no assurance that such laws and regulations regulating environmental protection will not change in the future or that the PRC government will not adopt more stringent environmental laws and regulations. The Group may be unable to comply with any additional requirements implemented in the future on a cost-effective basis, if at all, which could have a material and adverse effect on the Group's business, financial condition or results of operations. There can also be no assurance that its sub-contractors will not violate any environmental laws and regulations in their operations that may be attributed to the Group.

In addition, the PRC government is moving towards a more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards. The future imposition of stricter environmental legislation could have a material and adverse effect on the Group's business, financial conditions and results of operations.

The Group faces strong competition from domestic and international companies operating in similar industries.

The Group's expressways, railways, construction, ports shipping, logistics and trading, financial investment and property development businesses compete with both domestic and international companies operating in similar industries. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the domestic companies may have more extensive local knowledge and business relationships and a longer operational track record in the domestic market than the Group. The international companies are able to capitalise on their overseas experience to compete in the PRC and overseas markets. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that the business, financial condition and results of operations will not be materially and adversely affected by increased competition.

The Group's international operations are subject to various business, economic, political, regulatory and legal risks.

One of the Group's current strategies includes expansion into overseas markets such as Serbia, Bosnia, Mozambique, Morocco, Uganda, Chad, Algeria, Bengal, Pakistan and Vietnam. The implementation of this strategy could result in the Group being affected by, among other things, economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, lack of development of local infrastructure, labour unrest and difficulties in staffing, coordinating communications and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licences and misappropriation of intellectual property.

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the principal US government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. Other governments and international or

regional organisations also administer similar economic sanctions. If any Group entity or any of the Group's customers engages in any prohibited transactions by any means, such entity or customer, as the case may be, could be subject to penalties. If any Group entity is determined to be in violation of any OFAC-administered or other sanctions regulations, there could be a material and adverse impact on the Group's business, financial condition and results of operations. There may be sanctions imposed by certain countries against countries in which the Group conducts businesses. For example, the Group has, or in the past had, business dealings in sanctioned countries and countries with high risks such as Sudan, Iraq, Russia and Congo, mainly in connection with the provision of oilfield maintenances services through its subsidiaries. For the year ended 31 December 2016, 2017 and 2018, the Group's revenue attributable to such business operations in all sanctioned countries and countries with high risk was less than 2.0 per cent. of the Group's consolidated revenue, respectively.

Expansion in international markets may place a significant strain on the Group's management, operational and financial resources. There can be no assurance that the Group's existing or future management, operational and financial systems, procedures and controls will be adequate to support its future operations or that the Group will be able to recruit, retain and motivate its personnel or establish or develop business relationships beneficial to their future operations. If the Group cannot successfully manage the risks and challenges generally associated with multinational operations, it may have to dedicate resources to resolve issues arising from its future international operations at the expense of its current operations, which could have a material and adverse effect on the Group's business, financial position and operating results, as well as the Group's future prospects.

Individual countries may also have particular risks, such as slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as the PRC, governmental authorities exercise significant influence over many aspects of the economy and their actions could have a significant effect on the Group's international operations.

Changes in the government's favourable policies could affect the Group's business, results of operations and financial condition.

The Group currently derives certain benefits or concessions from the Company being a state-owned enterprise. There can be no assurance that the benefits or concessions provided by the PRC government will remain effective and will not change. If such benefits or concessions offered to the Group are abolished or materially reduced, the performance of the Group's business, results of operations and financial condition in the PRC could be materially and adversely affected.

The Group's high level of indebtedness may adversely affect its future strategy and operations.

As at 31 December 2016, 2017 and 2018, on a consolidated basis, the Group's total bank and other borrowings amounted to approximately RMB137.8 billion, RMB179.0 billion and RMB210.7 billion, respectively, consisting of the current portion of approximately RMB6.8 billion, RMB11.0 billion and RMB9.7 billion, respectively, and the non-current portion of approximately RMB131.0 billion, RMB168.0 billion and RMB201.0 billion, respectively. As at 31 December 2016, 2017 and 2018, the Group's shareholders' equity amounted to approximately RMB112.2 billion, RMB155.4 billion and RMB177.8 billion, respectively. The gearing ratio (total bank and other borrowings to shareholder's equity) as at 31 December 2016, 2017 and 2018 was approximately 1.2, 1.2 and 1.2, respectively.

The Group's high level of indebtedness may adversely affect the Group's future strategy and operations in a number of ways, including:

- The debt service requirements will reduce the funds available to the Group for other purposes;
- The Group's ability to obtain adequate financing for working capital and capital expenditures for its projects on terms which will enable such projects to achieve a reasonable return to the Group may be limited; and

- The Group's high level of leverage may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that the Group's level of indebtedness will not materially and adversely affect the Group's ability to finance its future operations or capital needs, successfully operate its business, engage in other business activities or pay dividends.

The Group's significant accounts receivable, other accounts receivable and long-term accounts receivable may adversely affect its future liquidity.

As at 31 December 2016, 2017 and 2018, the Group's accounts receivable was RMB3,939.4 million, RMB4,895.2 million and RMB5,079.5 million, respectively, representing 0.9%, 0.9% and 0.8% of its total assets, respectively. As at 31 December 2016, 2017 and 2018, the Group's other accounts receivable were RMB8,763.8 million, RMB13.9 billion and RMB17.0 billion, respectively, representing 1.9%, 2.5% and 2.8% of its total assets, respectively. As at 31 December 2016, 2017 and 2018, the Group's long-term accounts receivable were RMB9,020.3 million, RMB16.9 billion and RMB22.5 billion, respectively, representing 2.0%, 3.0% and 3.7% of the Group's total assets. Most of the Group's accounts receivable and other receivable are receivables from allowances given to the Group's logistics and trading, and construction customers.

There are risks associated with the Group's debtor's ability to make timely payments and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition and results of operation.

Fluctuations in the Group's investment income may adversely affect its results of operation and financial performance.

As at 31 December 2016, 2017 and 2018, the operating profit of the Group amounted to RMB4.5 billion, RMB6.8 billion and RMB7.7 billion, respectively. For the same period, the investment income of the Group amounted to RMB2.0 billion, RMB2.8 billion and RMB7.0 billion, respectively, representing 44.4%, 41.2% and 91.1% of the Group's operating profit, respectively. As the Group's operating profit is dependent on its investment income, fluctuations in investment income may adversely affect the Group's results of operation and financial condition.

The value of the Group's inventory may decline.

The Group carries a significant amount of inventory due to the holding of large amounts of temporary inventory and property-for-sale for its logistics and trading and property development businesses, respectively. As at 31 December 2016, 2017 and 2018, the balance of the Group's inventory amounted to RMB21.2 billion, RMB22.5 billion and RMB21.3 billion, respectively. In the event that the real estate industry goes into a downturn, that the fees of project construction cannot be collected in a timely manner or that the value of inventory decreases, the Group may suffer losses causing a materially adverse effect on the Group's profitability and results of operation.

The Group's businesses may be materially and adversely affected if the Group fails to maintain risk management and internal control systems or these systems are proven to be ineffective or inadequate.

Certain areas within the Group's risk management and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. The Group's business and prospects may be materially and adversely affected if the Group's effort to maintain these systems are proven to be ineffective or inadequate. Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect the Group's ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact the Group's ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's internal control systems may contain inherent limitations caused by employee errors or fault. As a result, there is no assurance that the Group's risk management and internal control systems are adequate or effective, notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to the Group's risk management system, and a material adverse effect on the Group's financial condition and results of operations.

The Group may be engaged in public interest projects which may have a material adverse effect on the Group's financial condition and results of operations.

The Group is jointly owned by the SSASAC, Shandong Provincial Council for Social Security Fund and Shandong Guohui Investment Co., Ltd, with the SSASAC holding a 70 per cent. shareholding in the Company. As a state-owned enterprise, it may be required to engage and participate in projects which are motivated by public interests and social welfare development. Such projects may not be commercially viable and the Group may not be able to recover its investment or achieve financial returns in a commercially desirable timeframe, or at all. The Group has received financial allocation or asset injection, in the form of land use rights, cash or other assets, and may receive other financial support from the government for such government sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. In addition, such financial support may not be sufficient to cover the Group's investment. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects.

As at 30 September 2018, the Group has been involved in various government projects and may continue to participate in such projects from time to time. There can be no assurance that the Group's results of operations, business and financial condition will not be adversely affected as a result.

The Group may fail to manage successfully the assets, projects and subsidiaries in which the Group does not have majority interests, or the Group's relationships with its business partners.

The Group may not be able to execute successfully or fully the Group's business strategies with respect to assets, projects or subsidiaries in which the Group does not have control over, for example, Shandong Railway Investment Holding Group Co., Ltd. (山東鐵路投資控股集團有限公司), Shandong Hi-Speed Light Industry Investment Fund Management Co., Ltd (山東高速光控產業投資基金管理有限公司), Taishan Property & Casualty Insurance Company Limited (泰山財產保險股份有限公司) and Shandong Ocean Investment Co., Ltd (山東海洋投資有限公司). For these companies, co-operation and agreement between the Group and its business partners are important factors for the smooth operation and financial success of the projects. The Group's business partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Although the Group has not to date experience any significant problems with its partners, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such assets, projects or subsidiaries. Furthermore, in the event that the Group cannot agree with other shareholders on management decisions, this may result in a deadlock and may impede the further development of the relevant business in that this may delay or prevent critical decisions. In addition, the Group's role as non-controlling shareholder in these companies may also have an adverse impact on the Group's return on investment, as management or other shareholders of these companies might institute or undertake transactions, strategies, policies or programmes that result in a decrease in the value of these companies, and by consequence, the Group's return on investment. In addition, the Group's results of operations could be materially and adversely affected if we take any significant impairment charge on our investments in any such entity where such entity fails to perform financially as expected or otherwise.

The Group contracts with government customers and derives substantial revenue from contracts with governmental agencies and entities.

Many of the Group's customers are agencies or entities owned or otherwise controlled by governments. To the extent that the Group's projects are funded by any government, they may be subject to delays or changes as a result of the changes in budgets or for other policy considerations. Any government spending on infrastructure and other construction projects has historically been, and will continue to be, vulnerable to fluctuations in economic conditions and policies. In particular, the PRC government's public policies and other economic measures may impact the Group's infrastructure construction and property development by restricting and reducing opportunities for infrastructure construction and property development projects. New policies implemented by the PRC government will be expected to be refined over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government may adopt more stringent policies and tighten regulations in the future.

In some circumstances, agencies or entities owned or otherwise controlled by governments may also require the Group to change its construction methods, equipment or other performance terms or direct the Group to reconfigure its designs or purchase specific equipment for the relevant project in connection with its engineering and construction projects or undertake additional obligations or change other contractual terms, thereby subjecting the Group to additional costs. Resolution of any dispute with respect to such changes may be time consuming and incur additional costs for the Group. Changes in governmental budgets and policies and other factors relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to the Group. If a government entity or other public organisation terminates a contract with the Group, the Group's order book could be reduced, and its business operations, financial position and results of operation may be materially and adversely affected.

The Group therefore has significant exposure to the risks associated with contracting with public organisations. In addition, any disputes with governmental entities and other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments due to the Group from these governmental entities and other public organisations may be delayed as result. Such entities and organisations may also attempt to assert sovereign immunity as a defence to any claim the Group may make against them.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

There have been a number of publicised cases involving fraud or other misconduct by employees or other third parties in connection with companies in China in recent years. Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Group to financial losses and sanctions imposed by governmental authorities or could seriously harm the Group's reputation. Any failure by executive officers, employees, key shareholders and other agents to fully adhere to the PRC or other applicable laws (including, but not limited to, anti-corruption laws), or any allegation or investigation by any governmental or regulatory authority for such breaches could also materially and adversely affect the Group's reputation and its business, financial condition and results of operations. A long and public regulatory investigation or judicial process may result in negative publicity and media speculation and have an adverse effect on the reputation of the Group. There is a risk that these matters could result in volatility in the price of the Group's outstanding debt securities, as well as potentially taking up a significant amount of management time and diverting management attention from the business of the Group.

The Group’s auditors may be involved in investigations initiated by relevant PRC authorities from time to time and have limited international capital markets experience.

The Group’s independent auditors, Baker Tilly China is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the Ministry of Finance (“MOF”) and the China Securities Regulatory Commission (“CSRC”). Although Baker Tilly China has significant audit experience in the PRC, it has limited international capital market experiences and was previously investigated by CSRC in connection with its provision of audit services to PRC companies.

CSRC has imposed administrative regulatory measures (行政監管措施) on Baker Tilly China for four times in the past 5 years. As at the date of this Offering Circular, those administrative regulatory measures did not result in regulatory penalties or formal legal procedures. Members of the current audit team in the Group’s current independent auditors, Baker Tilly China, are not involved in such administrative regulatory measures. However, there can be no assurance that Baker Tilly China or any of its management, officers or employees would not be subject to further sanctions or suspension of business by MOF and/or CSRC due to those administrative regulatory measures. Neither can be assured that the Group’s independent auditors and their respective employees will not be subject to regulatory investigations or regulatory penalties in the future.

RISKS RELATING TO THE GROUP’S EXPRESSWAYS BUSINESS

A decline in traffic volume may adversely affect the revenue and earnings of the Group’s expressways business.

The expressways industry is generally less sensitive to changes in the economic cycle compared to other industries, but any change of the economic cycle will directly cause a change in the demand of economic activities for transport services, which in turn will affect the overall traffic volume and the total toll collection. The performance of the expressways business operated by the Group is affected by the PRC’s national economic conditions, particularly the economic conditions of Shandong province, since the traffic volume and revenue generated from toll collection are closely correlated with the province’s economic activities. As such, whether the traffic volume can be maintained at any given level will have an impact on the results of operations of the Group.

In addition, traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. The recent increase in transport capacity of railways has impacted the overall expressways transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, further expansion and improvement of the highway network, parallel roads or substitutive roads, have hindered traffic growth on the expressways of the Group and brings negative impact on the growth of toll revenue of the Group. Additionally, fluctuation in fuel prices may affect traffic volume on the Group’s roads. To the extent that fuel shortages or increasing fuel prices reduce the volume of traffic, the Group’s business, results of operations and financial condition may be materially and adversely affected.

Competing roads and bridges and alternative modes of transportation may also affect the Group’s expressways operations. There can be no assurance that new competing roads will not commence operation to divert traffic and other existing competing roads or modes of transportation will not significantly improve their services and as a consequence materially and adversely affect the revenue, results of operations and financial condition of the expressways business of the Group.

The operations of the Group’s expressways may be subject to operational risks.

The operation of expressways generally involves a low level of operational risk as long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The expressways operations of the Group may nonetheless be

materially and adversely affected or interrupted by a variety of events, such as major traffic accidents, outages in the toll collection systems, natural disasters, serious adverse weather conditions and other unforeseen circumstances. Due to the unique features of the expressways industry (including the long construction cycle, significant scale of investment, relatively high level of technical standards and complexity), the payback period of expressway investment projects are comparatively longer. Thus, if the expressways operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, the results of operations and financial condition of the Group may be materially and adversely affected.

In addition, the continuing repair and maintenance of expressways may require significant expenditure and the Group's operations and financial position may be impacted by significant unforeseen capital expenditure requirements. In recent years, a portion of the expressways that the Group operate have gradually reached maturity and may require large-scale maintenance or reconstruction, which may require significant expenditure. Significant capital expenditure may also be required as a result of catastrophic events such as adverse weather, natural disasters, epidemics and major road accidents. To date, no material events of this nature have adversely affected the operation of any of the Group's roads.

Changes to the government's transportation-related policies may impact the Group's revenues and earnings.

The Group's operations, along with those of other expressways operators in the PRC, are sensitive to changes in the PRC government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of expressways in the PRC. There can be no assurance that changes in such policies would not have a material and adverse effect on the revenue or results of operations of the Group.

Although the Group's primary expressways business is currently supported by national industrial policy, it is relatively sensitive to adjustments in existing local and national industrial policies and the introduction of new policies affecting the level of the expressway toll imposed by relevant supervisory departments, term of the toll collection operation and relevant basis for tax collection. For instance, the Group's income generated from toll revenues was affected by the national "Green Lane" policy (綠色通道政策) which has become applicable to all toll roads within the PRC since 1 December 2010. There can be no assurance that future directives, notices or changes in the government's transportation-related policies would not have a material and adverse effect on the revenue or results of operations of the Group.

The projected toll revenue targets for the Group's projects upon their completion may not be realised in the timeframe projected, if at all.

In general, several years are required for the completion of an expressway project, before operations begin to generate income. The Group generally assesses the relevant costs and projected toll revenues in order to estimate when a yet-to-be completed project would achieve the cash flow break-even point. The demand for transport is affected by various factors including the economic cycle and economic development within the zone, number of automobiles, changes in modes of transport, current existing national roads and diversion of traffic by provincial roads, competing expressway constructions and other modes of transport. Therefore, there is a degree of uncertainty on the estimate of the future traffic volume for new investment projects. There can be no assurance that the break-even target set by the Group for its new projects would be achieved in the timeframe estimated, or at all, and consequently the Group's revenue and results of operations may be materially and adversely affected.

The Group's toll income is dependent upon the toll rates set by government authorities and other factors.

Toll rates charged by toll roads in the PRC are set by various government authorities. In addition, the Group needs to renew its permits to charge toll periodically with the relevant government authorities. There can be no assurance that any future applications by the Group to change toll rates or to renew expiring permits will be granted at all or in a timely manner or, if granted, will not be subject to conditions. Further, the duration within which the Group can charge toll rates is limited to 25 years in accordance with the Highway Toll Management Regulations 《收費公路管理條例》 promulgated by the State Council. By the end of 2017, the Group's right to collect toll from road users on the Ji'nan Yellow River Bridge, Binzhou Yellow River Bridge and Pingyin Yellow River Bridge expired. There can be no assurance that the toll collected from newly operational roads will be sufficient to offset this expiry, adversely affecting the Group's financial performance.

In addition, there can be no assurance that the PRC government authorities will not further lower or waive tariffs for the PRC toll road sector in the future. For example in July 2012, the PRC government announced that it would implement the Important Holidays Waiver of Toll Road Fees for Small Sized Passenger Vehicles Scheme 《重大節假日免收小型客車通行費實施方案》 which effectively waived toll road fees for certain small sized passenger vehicles on specified public holidays. If such tariffs are further lowered or waived, the Group's toll income may be materially and adversely affected.

The Group's toll revenue is derived mainly from a few expressways.

Toll revenue is the Group's main source of revenue. In 2018, the Group collected toll from road users on 29 expressways, of which RMB3.7 billion and RMB1.2 billion was collected from road users of the Shandong section of the Beijing Fuzhou Expressway and the Jinan Qingdao Expressway, respectively, together representing 40.8 per cent. of the total toll revenue of the Group for the year ended 31 December 2018. There can be no assurance that the traffic volume along the two expressways can be maintained and will not decline as traffic volume is affected by factors including the availability and toll rate differentials of alternative roads, existence of alternative means of transportation and fuel prices, which are factors beyond the Group's control. Due to the high concentration of toll revenue, a decline in traffic volume on the two expressways, the Group's results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE GROUP'S RAILWAYS BUSINESS

Any decrease in public spending on, or any change in the public procurement policies or industry standards relating to, rail transportation or rapid transit projects could impact the Group's railways business.

The development of the PRC's railway industry is dependent upon a number of factors such as the continued growth of the PRC's economy and the development of major railway and rapid transit projects. The nature, extent and timing of these projects are, however, determined by a combination of factors, including the overall spending on railway infrastructure and rapid transit systems in China and the general conditions and prospects of the PRC's economy. A reduction in spending by the PRC government on railway and rapid transit infrastructure and rolling stock projects or changes in government policies affecting public spending could have a material and adverse effect on the Group's railway business.

The Group's railways business may be adversely affected by competition from other modes of transportation in the PRC.

The five main transportation modes for passenger and freight transportation in the PRC are aviation, railway, road, waterway and pipeline. Within China, passengers travel mainly on railway and road networks; freight is transported mostly on railway, road and waterway networks. Liquid, oil and gas are usually delivered through pipelines. In the event that changes occur to passenger and freight transportation traffic patterns that lead to reduced overall volumes on railways, the Group's railways

business could be materially and adversely affected. In addition, demand for the Group's railway services may be reduced if there are unexpected events, such as terrorist attacks, environmental and other safety concerns, which could result in the decreased use of railway or rapid transit systems.

The cyclical nature of the railway industry may expose the Group to potentially significant fluctuations in financial condition and results of operations.

The Group's railways business operates in a cyclical industry that is sensitive to general economic conditions. Rapid growth in the PRC economy and urban population could lead to an increased demand for railway and rapid transit transportation, which could in turn foster demand for railway services. On the other hand, an economic slowdown could curtail demand for such services. Changes in market supply and demand could also have a substantial effect on the Group's business, revenues and financial condition. Macroeconomic conditions, cyclical trends in end-user markets, supply and demand imbalances, policies of the PRC government and other factors beyond the Group's control, including export policies, value added taxes and export taxes could have a major impact on the Group's market share and demand for the Group's services. Periods of high demand for railway services, particularly rapid transit vehicles, higher capacity utilisation and increased operating margins have tended to result in a large amount of new investments and increased production in the overall industry until supply exceeds demand, which is subsequently followed by periods of declining prices and declining capacity utilisation, and the cycle repeats. Any of these cyclical factors may materially and adversely impact the Group's railways business.

RISKS RELATING TO THE GROUP'S CONSTRUCTION BUSINESS

The Group's construction business is influenced by rises in labour costs and the cost of construction materials, which is volatile and subject to significant fluctuations.

Labour and construction costs comprise the predominant components of the Group's costs. Labour and construction costs encompass all costs for the design and construction of a project, including payments to third party consultants, contractors, costs of construction materials, foundation and substructure and facilities for utilities. Historically, construction material costs have been the principal driver of the Group's construction costs. In recent years, the price of commodities (including the cost of fuel) has been highly volatile and construction material prices have shown fluctuating trends both in the domestic and the international markets. These fluctuating trends in prices may create availability constraints which may also have an adverse impact on the production schedule and costs of the Group. In particular, rises in labour costs have become an increasingly significant part of the Group's total cost of construction. A general trend in the economy of increased inflationary risk may also have an impact on labour and construction costs and a wider impact on other costs.

Construction costs may fluctuate as a result of the volatile price movements of construction materials. To the extent practicable, the Group will purchase construction materials in advance after assessing the current market prices of various construction materials in order to offset any potential price increases and to cover the demands of any contracts or projects awarded. The Group may also consult different suppliers in the market in order to obtain the best pricing, ensure quality and minimise costs. If appropriate, the Group also has the capability to manufacture certain materials, such as asphalt, which is widely used in its construction business. However, there can be no assurance that the Group's existing purchase arrangement will be sufficient to cater for its demand or to offset potential price increases. In particular, if existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin in respect of its construction business is sensitive to changes in the market prices for construction materials and such profit margins may be materially and adversely affected if the Group cannot pass all of the increased costs onto its customers.

The Group requires permits or licences to undertake its construction business operations and any loss, termination or non-renewal of these permits or licences could have a material and adverse impact on its business.

The Group requires permits and licences issued by the relevant government agencies to conduct its construction business and it must comply with the restrictions and conditions imposed by various levels of government to maintain its permits and licences. Currently, the Shandong provincial government has granted the Group a business concession with the right to design, construction, renovation, expansion, management, collection of tolls and other fees, maintenance and investment in any existing or planned infrastructure projects within the territory of Shandong province. If the Group fails to comply with any of the regulations required for the maintenance of its permits, licences or concession, the permits, licences and concession could be temporarily suspended or even revoked, or the renewal of the licences and concession, upon expiry of their original terms, may be delayed, which may have a material and adverse impact on the Group's construction business.

Some or all of the Group's existing and planned projects may not be completed in a timely manner or at all.

A large portion of the Group's business activities involves construction projects. The Group's success and financial performance will depend on its ability to identify, develop and market its construction projects in a timely and cost effective manner. The Group's construction projects are subject to various construction risks, including but not limited to, the risk of delays in obtaining required approvals, availability of raw materials, increases in construction or resettlement costs, natural disasters, as well as reliance on third party contractors during the development of a project.

Construction of new projects entails significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, difficulties in the compensation and resettlement process, work stoppages, litigation, weather interference, floods and unanticipated cost increases, any of which could give rise to delays or cost overruns. Any significant increase in the price of construction materials, for example, would increase the Group's cost of development. Difficulties in obtaining any requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost, or delay the construction or opening, of new projects. Construction projects may be located on land parcels with existing buildings or other structures on them or may be occupied by third parties. The inability of the government to enter into agreements with the owners of properties subject to demolition on the amount of compensation, or a significant increase in compensation payable to such owners for their relocation or resettlement can result in lengthy delays in the project timeline and increased land premiums payable by the Group. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by the Group may be subject to substantial increases. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan for such owners or residents, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may delay a project's timetable. If the Group experiences any significant delays or increases in costs, its business, financial condition and results of operations may be materially and adversely affected.

As a result of these and other factors described herein, there can be no assurance as to whether or when existing and planned construction projects will be successfully completed. Although the Group plans to apply many of the same development and marketing strategies that it has employed in the past, new projects may pose unforeseen challenges and demands on its managerial and financial resources. Non-completion of any of the Group's projects may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S PORTS SHIPPING BUSINESS

The Group's ports and ports-related businesses are cyclical in nature and subject to seasonal fluctuations.

The ownership, operation and management of ports and the provision of ports-related services comprise a part of the Group's ports shipping business. The global port industry has been cyclical and subject to seasonal fluctuations, experiencing volatility in revenues, profitability and asset values resulting from changes in the supply of and demand for ports and ports-related services. The demand for ports and ports-related services is influenced by global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather patterns, armed conflicts, canal closures, foreign exchange fluctuations, embargoes and strikes, among other factors. Throughput and tariffs at container terminals and general and bulk cargo terminals fluctuate in response to the volume of containerised and general and bulk cargo trade, which is influenced by many factors, including the demand for containerised and general and bulk cargo trade, general economic conditions, developments in the major world economies that influence trade patterns and competition from alternative modes of transportation. All of these factors may materially and adversely affect the Group's ports shipping business.

The Group's ports shipping business is subject to significant competition.

The Group's ports shipping business is subject to significant competition, including possible vertical integration of shipping lines that relate to the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and therefore may not require the use of the Group's port facilities.

Furthermore, ports are often viewed by governments as critical national assets and may be subject to government control and regulations. Regime or regulatory changes may affect port concessions granted to the Group's port operations.

There can be no assurance that any of the above factors will not materially and adversely affect the Group's ports shipping businesses.

Container throughput handled by the Group is dependent on global trading volume.

The container throughput handled by the Group's ports shipping business is primarily dependent on global trading volume. A general decrease in global export and import activity resulting from the global credit crunch will adversely affect global shipping, as liquidity problems in the international banking sector reduces the availability of credit, making the financing of shipments more difficult. If economic conditions further deteriorate, global throughput levels are expected to decrease.

The Group's ports and related services' total throughput, imports and exports have been affected by the PRC's economic slowdown. The declines in shipping activity have negatively affected throughput levels, which in turn have adversely affected the financial results of the Group's ports shipping business. There can be no assurance that declines in imports and exports in the future which could materially and adversely affect the business operations and financial results of the Group's ports shipping business will not occur.

RISKS RELATING TO THE GROUP'S LOGISTICS BUSINESS

The Group's logistics business is subject to regulatory and market condition risks.

The Group is subject to risks associated with the provision of logistics facilities. Some of the factors that may affect the Group's logistics business include:

- local market conditions, such as supply of logistics facility space, change in demand for logistics facility space and economic conditions and the rents that the Group can charge for a completed logistics facility, which may make a logistics facility unprofitable;
- the Group's ability to maintain, refurbish and redevelop existing facilities;
- competition from other available logistics facilities;
- the Group's ability to maintain and obtain insurance for its facilities;
- the Group's ability to control rents and other variable operating costs;
- construction costs (including labour cost) of a logistics facility may exceed original estimates, or construction may not be concluded on schedule, making the logistic facility less profitable than originally estimated or not profitable at all;
- changes in labour laws;
- governmental regulations, including changes in zoning and usage, condemnation, redevelopment and tax laws and changes in laws; and
- delays in obtaining governmental permits and authorisations, and changes to and liability under all applicable zoning, building, occupancy and other laws.

Any of these factors could have a material and adverse effect on the financial condition, results of operations and prospects of the Group's logistics business.

Logistics and logistics-related businesses are cyclical in nature.

The ownership, operation and management of logistics facilities and the provision of logistics-related services comprise a key aspect of the Group's logistics business. The global logistics industry has been cyclical and subject to seasonal fluctuations, experiencing volatility in revenues, profitability and asset values resulting from changes in the supply of and demand for logistics and logistics-related services. The demand for logistics and logistics-related services is influenced by global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather patterns, foreign exchange fluctuations, embargoes and strikes, among other factors. Throughput and tariffs at container terminals and general and bulk cargo terminals fluctuate in response to the volume of containerised and general and bulk cargo trade, which is influenced by many factors, including the demand for containerised and general and bulk cargo trade, general economic conditions, developments in the major world economies that influence trade patterns and competition from alternative modes of transportation. Any of these cyclical factors may materially and adversely impact the Group's financial condition and results of operations.

The Group's logistics operations may be subject to operational risks.

The operation of the Group's container terminals and container handling and warehousing businesses may be adversely affected by many factors, such as the breakdown of shore cranes, forklifts and other equipment, labour disputes, inclement weather, natural disasters, increasing government regulations, lack of adjoining land for expansion, lack of qualified equipment operators and overall performance of the container shipping industry. In addition, container movements into and out of the logistics facilities rely on a number of third party trucking and barge companies which typically contract directly with exporters, importers and shipping companies and not with the Group itself. The failure or inability of any of these companies to provide these services efficiently could disrupt operations at the logistics facilities which they serve and consequently may have a material and adverse effect on the Group's business, financial condition and results of operations.

RISK RELATING TO THE GROUP'S FINANCIAL INVESTMENT BUSINESS

The Group's financial investment segment's businesses are highly regulated and may be materially and adversely affected by future regulatory changes.

The Group's financial investment segment's businesses and operations are directly affected by changes in PRC government policies, PRC laws and regulations relating to the banking and insurance industries, including those affecting the extent to which the Group can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking and insurance industries will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and result of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Group's activities and could also have a significant impact on its financial investment business. The Group conducts its banking business through WCC Bank, which is a city commercial bank in Weihai, Shandong province. The PBOC lowered the deposit-reserve ratio eight times since 2014. The reserve ratio relates to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers. Any future increases in bank reserve requirement ratio, revisions of the calculation basis of the reserve ratio and other changes in policies and regulations in the banking and insurance industries may negatively impact the amount of funds available for loans by WCC Bank which may in turn have a material and adverse effect on the business, financial position and results of operations of the Group's financial investment business segment.

Uncertainties and instability in global market conditions could adversely affect the Group's financial investment segment's businesses.

WCC Bank offers a variety of financial services, including credit services such as granting loans, peer deposits, buy and sell back transactions, investment in bonds and account receivables and off balance sheet credit (including guarantees, commitments and financial derivative transactions), whose performances are highly dependent on economic and market conditions both globally and in the PRC. The global credit markets have experienced unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Eurozone and volatility of the PRC stock market.

For example, during the second half of 2015, the Shanghai Stock Exchange fell more than 30% since June 2015 and the PRC government took unprecedented steps to support the markets. Further, volatility in the capital markets in the United States, Europe, Japan, the PRC and other jurisdictions in recent years have resulted in adverse global economic conditions as well as having a corresponding effect on Asian financial markets and may continue to do so in the future. If the global financial markets experience any further turmoil or if the PRC experiences any significant economic downturn, the Group's financial investment segment's businesses could be materially and adversely affected.

WCC Bank is subject to liquidity risk.

Customer deposits have historically been WCC Bank's main source of funding. As a result, there may be a mismatch between the maturities of its liabilities and the maturities of its assets. Generally, WCC Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, there can be no assurance that this will continue to be the case. If a substantial portion of its depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, WCC Bank's liquidity position, business, financial condition and results of operations may be materially and adversely affected. In such case, WCC Bank may have no choice but to seek other sources of funding to meet its funding requirements. There can be no assurance that WCC

Bank can source adequate financing based on acceptable commercial terms, if at all. All of these factors may have a material and adverse effect on WCC Bank's liquidity, business, financial position and results of operations.

WCC Bank may not be able to maintain or further reduce its current non-performing loan ratio.

As at 31 December 2016, 2017 and 2018, WCC Bank's non-performing loans amounted to and RMB833 million, RMB978 million and RMB1.37 billion, respectively, with a non-performing loan ratio ("NPL ratio") of 1.4 per cent., 1.5 per cent. and 1.8 per cent., respectively. WCC Bank's NPL ratio has risen over the past three years and there can be no assurance that WCC Bank will be able to reduce or even maintain the same non-performing loan ratio level in the future. This is because the quality of WCC Bank's loan portfolio is affected by factors, many of which are beyond its control, including but not limited to, any adverse changes to the PRC economic structure, deterioration in the PRC's economy and deterioration in the global economy including the credit crisis and financial turmoil in Europe. Adverse changes in the economic environment in the PRC as well as force majeure events including natural disasters or outbreak of diseases may all have a negative impact on WCC Bank's borrowers' ability to repay the loans. Factors such as deterioration in the credit conditions of WCC Bank's customers' trading partners, decline in both residential and commercial property prices, increase in the unemployment rate in the PRC and a deterioration in the profitability of corporate borrowers can also lead to a reduction in the quality of WCC Bank's assets. All of these factors can lead to an increase in WCC Bank's non-performing loan ratio, which may correspondingly have a material and adverse effect on its business, financial condition and results of operations.

RISK RELATING TO THE GROUP'S PROPERTY DEVELOPMENT BUSINESS

The Group may not be able to obtain a sufficient number of land sites or retain land sites suitable for property development.

With respect to the Group's property development, the Group derives revenue from the sale of properties that it has developed. This revenue stream is dependent on the Group's ability to complete and sell its property developments. To maintain or grow the property development business in the future, the Group will be required to replenish its land reserve with suitable land sites for developments.

The PRC government controls substantially all the country's land supplies and regulates the means by which real estate developers, including the Group, obtain land sites for property developments. As a result, the PRC government's land supply policies affect the Group's ability to acquire land use rights for sites it identifies and affects the costs of any acquisition. The viability or growth of the property development business may not be suitable if the Group is unable to obtain additional land sites for development at prices that allow it to achieve reasonable returns.

Under PRC law, if a developer fails to develop land in accordance with the terms of a land grant contract (including those relating to the payment of fees, the designated use of land and the time for commencement and completion of the development), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or confiscate the land. There is no assurance that circumstances leading to confiscation of land or delays in the completion of a property development will not arise in the future. If the Group's land is confiscated, it will be unable to continue its property development on the confiscated land or recover the costs incurred in the initial acquisition of the confiscated land or recover development costs and other costs incurred up to the date of confiscation. In addition, in the event that the government exercises its authority to confiscate any land use rights that have been legally granted to the Group, the Group may not be compensated for the full market value of the land.

Failure to complete property development projects on time or to applicable standards could adversely affect the Group's business.

Property development is a long and complicated process, generally requiring large amounts of capital involving numerous parties, including designers, construction material suppliers, contractors, developers and individual consumers. In addition, to develop and complete a property development project, a property developer must obtain certain permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development project. The progress and costs of a property development project can be adversely affected by many factors, including delays in obtaining necessary licences, permits, certificates or approvals from government agencies or authorities, shortages or materials, equipment, contractors and skilled labour, labour disputes, construction accidents, natural catastrophes, adverse weather conditions, and changes in government policies.

Failure to complete construction of a property development project on time, to specifications and within budget as a result of any or all of the above factors may affect the Group's financial condition and results of operations and may also cause reputational damage. There is no assurance that the Group will not experience any significant delays in the completion or delivery of any of its property development projects or that the Group will not be subject to any liabilities for any such delays. Moreover, if the design or construction of a property development fails to meet the applicable requirements, the Group's sales and brand reputation could be adversely affected. To the extent that such failure is found to interfere with the normal use of the property, the purchaser could be entitled to terminate the commercial property sale and purchase contract. The occurrence of any of the above-mentioned incidents could bring the Group into legal disputes, which in turn could have an adverse effect on the Group's business and results of operations.

The PRC government may impose a penalty on the Group or cancel the land use rights for any project which was not developed in compliance with the terms of the land use rights grant contract.

Under PRC law, if a developer fails to develop land in accordance with the terms of the relevant land use right granting contract (including those relating to the payment of fees, designated use of land, amount of gross floor area ("GFA") developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or, in the worst case scenario, cancel the relevant land use rights and resume possession of the land. Specifically, under current PRC laws, if the Group fails to commence development for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to the Group and impose an idle fee on the land of 20 per cent. of the land grant premium. The relevant PRC land administrative bureau may confiscate the Group's land use rights without compensation if it fails to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure or by the early preparations necessary for starting the development. Moreover, if a property development commences development of the land in accordance with the time frame stipulated in the land grant contract, but the developed GFA on the land is less than one-third of the total imposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to risk of forfeiture.

If the Group fails to obtain any land use right for any project or its land use rights do not comply with applicable PRC laws, it may be subject to fines and other penalties, including the cancellation of land use rights. There is no assurance that any cancellation of land use rights or imposition of a penalty will not arise in the future. If any land use right of the Group is cancelled, it will not be able to continue its property development on the affected land, recover the costs incurred for the initial acquisition of the

land or recover the development costs and other costs incurred up to the date of cancellation. Any requirement that the Group shall pay idle land fees or other related penalties may adversely affect the Group's business, results of operations or financial condition.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as government policies, could adversely affect the Group's business.

The Group derives substantially all of its revenues from its operations in the PRC. The Group's financial condition, results of operations and prospects will, accordingly, be subject to economic, political and legal developments in the PRC, as well as in the economies of the surrounding region. The following conditions and developments in the PRC may materially adversely affect the Group's financial condition, results of operations and prospects:

- inflation, interest rates and general economic conditions;
- the introduction of economic policies to control inflation or stimulate growth, change the rate or method of taxation or impose additional restrictions on currency conversions and remittances abroad, where the government has periodically taken measures to slow economic growth to a more manageable level, in response to concerns about the PRC's historical high growth rate in industrial production, bank credit, fixed investment and money supply;
- the structure of the economy, where the economy has been transitioning from a planned economy to a market-oriented economy, but where the government still controls a substantial portion of productive assets, continues to play a significant role in regulating industries through industrial policies and exercises significant control over growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies;
- demographic factors in the PRC which has a rapidly growing population requiring rapid economic growth to assure employment and stability;
- governmental policies, laws and regulations, including, without limitation, those relating to foreign investment or classification of industries, and changes to such policies, laws and regulations and their implementation and interpretation, which could prevent, delay, increase the cost of or otherwise adversely affect the Group's ability to invest in, acquire or divest, develop, operate or manage its facilities;
- certain recent changes in PRC tax law and proposed application and/or interpretation of these laws could increase the Group's PRC tax liability (the "Risks Relating to Taxation");
- the risk of nationalisation and expropriation of assets;
- currency controls and other regulations, which may affect the Group's ability to receive distributions or other dividends from the Group's subsidiaries or other entities in which it may have any interest, to borrow onshore or offshore where the facility or the relevant subsidiary or entity is located, or to carry out acquisition, divestment and capital expenditure plans; and
- political and other conditions.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the operations of the Group.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although, in recent years, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Uncertainties with respect to the PRC legal system could have a material adverse effect on the prospects, financial condition and results of operations of the Group.

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on the prospects, financial condition and results of operations of the Group.

The enforcement of the Labour Contract Law and other labour-related regulation in the PRC may materially adversely affect the Group's business and its results of operations.

The Labour Contract Law of the PRC (the "Labour Contract Law") was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. Certain amendments to the Labour Contract Law were adopted on 28 December 2012 and became effective on 1 July 2013. The Labour Contract Law is primarily aimed at the regulation and protection of employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. In addition, the PRC government has continued to introduce various new labour-related regulations after the effectiveness of the Labour Contract Law. The Group's labour costs may increase as a result of these new protective labour measures, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, as the interpretation and implementation of these new regulations are still evolving, the Group's employment practice may not at all times be deemed in compliance with the new regulations. If the Group is subject to severe penalties or incurs significant liabilities in connection with labour disputes or investigations, the Group's business and results of operation may be adversely affected.

The PRC economy is susceptible to the macroeconomic policies of the PRC government.

The PRC government has exercised and continues to exercise significant influence over the PRC's economy. From time to time, the PRC government adjusts its monetary and economic policies, which may affect the markets in which the Group operates. Any action by the PRC government concerning the economy could have a material adverse effect on the business, financial condition and results of operations of the Group.

The PRC government has in recent years taken a number of policy initiatives in the financial sector. The PRC government lowered the deposit-reserve ratio eight times since 2014. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers.

Any future increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including to the Group, by commercial banks in Mainland China. The Group cannot assure investors that the PRC government will not introduce other initiatives which may limit the Group's access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit the Group's flexibility and ability to use bank loans or other forms of financing and therefore may require the Group to maintain a relatively high level of internally sourced cash. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Government control of currency conversion and fluctuations in the value of Renminbi may adversely affect the Group's performance under the Securities, its business and the value of distribution by its PRC subsidiaries.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of SAFE and other procedures. In addition, the Securities are denominated in US dollars, while substantially all of the Group's revenue is generated by its PRC operating subsidiaries and is denominated in Renminbi. Pursuant to reforms of the exchange rate system, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a band of 2.0% above or below the central parity rate against a basket of foreign currencies, effective 17 March 2014. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the US dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, the Group's financial condition and results of operations could be adversely affected because of its US dollar denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Securities.

It may be difficult to effect service of legal process, enforce foreign judgments or bring original actions in the PRC based on other foreign laws against the Company and most of its subsidiaries.

The Company and most of its subsidiaries are companies incorporated under the laws of the PRC, and a substantial portion of their assets and most of the Company's subsidiaries are located in the PRC. In addition, most of the Company's directors, supervisors and senior management reside within the PRC, and the assets of the Company's directors, supervisors and senior management may be located within the PRC. As a result, it may not be possible to effect service of legal process outside the PRC upon most of the Company's directors, supervisors and senior management.

Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon those persons in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE SECURITIES AND THE GUARANTEE

The Securities and the Guarantee of the Securities are unsecured obligations.

The Securities and the Guarantee of the Securities are unsecured obligations of the Issuer and the Company respectively. The repayment of the Securities and payment under the Guarantee of the Securities may be adversely affected if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's or the Company's assets may not be sufficient to pay amounts due on the Securities.

The Issuer is a special purpose vehicle and the Company relies on cash injections by the SSASAC and receipt of cash dividends from its subsidiaries for its cash flow and ability to satisfy its obligations and the obligations of the Issuer under the Securities and obligations of the Company under the Guarantee.

The Issuer is set up by the Group as a special purpose vehicle for the issuance of securities with no significant operations or assets and rely on the Group for any cash to satisfy its payment obligations under the Securities.

The Company depends, to a large extent, on cash injections by the SSASAC and its receipt of cash dividends from its subsidiaries for its cash flow requirements and to satisfy its own debt obligations, before helping to satisfy the Issuer's payment obligations under the Securities and the Company's obligations under the Guarantee. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Company is subject to various restrictions under applicable laws and contracts to which they are a party. Each of the subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Securities or make any funds available therefore, whether by dividend, loans or other payments. the Company's right to receive assets of any of its subsidiaries, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors except to the extent that the Company is a creditor of that subsidiary. If the Company fails to obtain funds from such sources, its financial condition and ability to help satisfy the Issuer's payment obligations under the Securities will be adversely affected.

The PRC government has no obligations under the Securities or the Guarantee of the Securities.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Securities or the Guarantee of the Securities in lieu of the Issuer or (as the case may be) the Company. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Investment and Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號)(the “**MOF Circular**”) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the “**Joint Circular**”) promulgated on 11 May 2018 and which took effect on the same day and the Guiding Opinion on

Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018.

The PRC government as the ultimate controlling shareholder of the Company only has limited liability in the form of its equity contribution in the Company. As such, the PRC government does not have any payment obligations under the Securities or the Guarantee of the Securities. The Securities are solely to be repaid by the Issuer and by the Company pursuant to the Guarantee of the Securities, each as an obligor under the relevant transaction documents and as an independent legal person.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Securities may have adverse consequences for the Issuer, the Company and/or the investors of the Securities.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Securities may have adverse consequences for the Issuer, the Company and/or the investors of the Securities. The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within the prescribed time period after the completion of the issue of the securities. The Company has obtained the NDRC Pre-Issuance Registration on 15 April 2019.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (《企業境外行債券指引》)(the “**Guideline**”), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that, companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and fraudulently report foreign debt scale and provide false information might be put on the blacklist of dishonest persons and sanctioned by PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that government will take.

Potential investors of the Securities are advised to exercise due caution when making their investment decisions. The Company has undertaken to notify the NDRC of the particulars of the issue of the Securities within the prescribed timeframe after the Issue Date.

If the Company fails to complete the SAFE registration in connection with the Guarantee of the Securities, there may be hurdles for cross-border payment under the Guarantee of the Securities

Under the Guarantee of the Securities, the Company will undertake to guarantee the due payment of all sums expressed to be payable by the Issuer due under the Securities and the Trust Deed.

The Company is required by the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 to register the Guarantee of the Securities with SAFE within 15 business days of execution of the Deed of Guarantee. Although the non-registration does not render the Guarantee of the Securities ineffective or invalid under PRC law, SAFE may impose penalties on the Company if the Company fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross border payment is to be made by the Company under the Guarantee of the Securities) as domestic banks may require evidence of SAFE registration in connection with the Guarantee of the Securities in order to effect such remittance. The Company intends to register the Guarantee of the Securities as soon as practicable and in any event before the Registration Deadline (being 150 calendar days after the Issue Date). A failure to complete the SAFE registration on or before the Registration Deadline would result in a Step-Up Event and would also give the Issuer the right to redeem all but not some only of the Securities at their principal amount together with Distribution accrued to, but excluding, the date fixed for redemption. In addition, if the Company fails to complete the SAFE registration in a timely manner, there may be logistical hurdles at the time of remittance of funds (if any

cross-border payment is to be made by the Company under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance.

The interpretation of the Cross-border Guarantee Rules (as well as any implementation rules as issued by SAFE from time to time, including the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (Hui Fa [2017]No. 3)(《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) as per which funds raised offshore under Nei Bao Wai Dai (內保外貸)(“NBWD”) are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments) may involve uncertainty, such as the Policy Questions and Answers (second batch) of the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017] 3號)政策回答(第二期)), under which funds raised overseas shall only be used for overseas investment projects in which the domestic guarantor has equity interests and the relevant overseas issuer or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities unless otherwise permitted by SAFE), which may adversely affect the enforceability of the Guarantee of the Securities in the PRC. In addition, the administration of the Cross-border Guarantee Rules may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee of the Securities with SAFE can be completed or that the registration with SAFE obtained by the Company will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee of the Securities in the PRC.

Third parties, including holders of the Securities, may be hindered or prevented from enforcing their rights with respect to the assets of the Company because of the doctrine of sovereign immunity or state secret privilege.

As at the date of this Offering Circular, the Company is controlled by the PRC government indirectly through the SSASAC. All of the assets relating to the operation of the Company’s business are either owned or controlled by the Company itself or by companies wholly or majority owned by the Company. Where a third party brings a legal action against the Company, its subsidiaries or their assets based on a contractual dispute with them, the legal proceedings, particularly the enforcement of judgments or any arbitral awards with respect to the assets of the Company and its subsidiaries in the PRC, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Company can be sued in its own capacity in a civil proceeding in a court or tribunal, there is no assurance that the assets of the Company will not be immune from enforcement proceedings on the grounds of sovereign immunity or state secret privilege. If such immunity or privilege is invoked to dismiss judgments from the court or tribunal, it may be difficult for the third party plaintiffs (such as holders of the Securities) to enforce their contractual rights against the Company, its subsidiaries or their assets in the PRC.

The Securities do not contain restrictive financial or operating covenants.

The Trust Deed governing the Securities will contain a negative pledge provision intended to benefit the holders of the Securities that limits the Group’s ability to create a mortgage, charge, pledge, lien or other encumbrance on its assets. However, this provision does not apply to the Company and its subsidiaries and is subject to other significant exceptions. See “Terms and Conditions of the Securities”. The Group will be allowed to create or have outstanding security interests on a substantial portion of its assets to secure certain relevant indebtedness, and such security interests will not be required to be shared with the holders of the Securities.

The Trust Deed governing the Securities, however, does not contain restrictive financial or operating covenants or restrictions on the incurrence of indebtedness or the payment of dividends or making of other restricted payments. In addition, the Trust Deed does not contain any other covenants or

provisions designed to afford holders of the Securities protection in the event of a highly leveraged transaction involving the Group that could adversely affect such holders. Subject to the terms of the Group's existing debt and credit facilities, the Group may incur substantial additional indebtedness in the future.

The Securities are perpetual securities and investors have no right to require redemption.

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

Holders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions.

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions.

Although, following a deferral of any scheduled Distribution, Arrears of Distributions are cumulative, the Issuer may defer their payment indefinitely in accordance with the Terms and Conditions. Any such deferral of Distribution does not constitute a default under the Terms and Conditions. The Issuer and the Company are subject to certain restrictions in relation to the payment of discretionary dividends on the Junior Securities and Parity Securities of the Issuer and the Company, the discretionary redemption and repurchase of Parity Securities or Junior Securities of the Issuer and the Company until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions. Such restrictions on discretionary payments, redemption or repurchase act as the main deterrent against deferral of Distribution on the Securities.

A breach of such restrictions on discretionary payments and discretionary redemption and repurchase by the Issuer or the Company will not oblige the Issuer to satisfy any Arrears of Distributions or Additional Distribution Amount accrued at the time of the breach although it may result in a Step-Up Event. Any Distribution at the increased Distribution Rate may be further deferred by the Issuer at its discretion indefinitely in accordance with the Terms and Conditions. See also "*Risks Relating to the Securities and the Guarantee – The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event.*"

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities may be redeemed at the Issuer's option on the First Call Date or on any Distribution Payment Date after the First Call Date or upon the occurrence of certain other events.

The Securities are redeemable at the option of the Issuer on the First Call Date or on any Distribution Payment Date after the First Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Step-Up Event. The Securities may also be redeemed at the option of the Issuer if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been

redeemed or purchased or cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies under the Securities.

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings against the Issuer or the Company is limited to circumstances where a winding-up proceeding has been initiated against the Issuer or the Company or where payment has become due under the Securities, the Guarantee of Securities or the Trust Deed and the Issuer or the Company fails to make such payment for a period of 14 days or more after the date on which such payment is due. Holders of the Securities would need to prove in such winding-up or claim in the liquidation of the Issuer or the Company (as the case may be) for the recovery of amounts in respect of the Securities.

Changes in accounting standards may impact the Group's financial condition or the characterisation of the Securities.

The Ministry of Finance of the PRC (the “MOF”) has issued and may in the future further issue new and revised standards, guidelines and interpretations, including the 2018 application guideline for “Accounting Standards for Business Enterprises in China No. 37 – Presentation of Financial Instrument” issued in July 2018 and Provisions on Accounting Treatment of Perpetual Bonds issued in January 2019. Such standards, guidelines and interpretations may require the adoption of new accounting policies by the Group. There can be no assurance that the adoption of new accounting policies or new PRC GAAP will not have a significant impact on the Group's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to the general application or interpretation of, PRC GAAP may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as “equity” of the Company, and will give the Issuer the right to elect to redeem the Securities. See “*Terms and Conditions – Redemption for accounting reasons*”.

Similarly, any change or amendment to, or any change or amendment to the general application or interpretation of the HKFRSs may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as “equity” of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (the immediate parent company of the Issuer), and will give the Issuer the right to elect to redeem the Securities. See “*Terms and Conditions – Condition 5(d) (Redemption for accounting reasons)*”.

The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event.

The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Principal Paying Agent and the Holders, redeem the Securities in whole, but not in part, if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 4(e) of the Terms and Conditions.

The Trustee may request the holders of the Securities to provide an indemnity and/or security to its satisfaction before taking certain actions.

In certain circumstances (including without limitation giving of notice to the Issuer and the Company pursuant to Condition 8 of the Terms and Conditions of the Securities and taking action pursuant to Condition 13 of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion)

request the holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the holders of the Securities. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed governing the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law and regulations, it will be for the holders of the Securities to take such actions directly.

The Issuer may not be able to redeem the Securities upon the occurrence of a redemption event of the Securities.

The Issuer, upon the occurrence of a redemption event of the Securities (as set forth in the Terms and Conditions of the Securities), is required to redeem the Securities. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Securities would give the Trustee the right to institute proceedings for the Winding-Up (as defined in the Terms and Conditions) of the Issuer or the Company under the Securities, which may also constitute a default under the terms of the Group's other indebtedness.

If the Company or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Securities, as applicable, there could be a default under the terms of these agreements, or the Securities, as applicable, which could cause repayment of the relevant debt to be accelerated.

If the Company or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Securities (as applicable) or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. Certain of the Group's or its subsidiaries' loan agreements contain restrictive covenants, which prevent such subsidiaries from, among other things, incurring or guaranteeing additional indebtedness, declaring dividends on capital stock, purchasing or redeeming capital stock or making investments. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Company or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Securities contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Company or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Securities, or result in a default under its other debt agreements, including the Securities. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Company or any of its subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company and its subsidiaries.

The liquidity and price of the Securities following this offering may be volatile.

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, any adverse change in the credit rating and results of operations could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There can be no assurance that these developments will not occur in the future.

Price of the Securities may be affected by additional debt incurred by the Group following this offering.

In order to maintain or adjust the capital structure, the Group will consider the conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may further access the international capital markets and raise funding through debt issuance. The Company may consider providing a guarantee of such additional debt, which may affect the price of the Securities.

A trading market for the Securities may not develop.

The Securities are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Securities on the SGX-ST, no assurance can be given as to the liquidity of, or trading marked for, the Securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Securities will only be able to resell the Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the investors' obligation to ensure that offers and sales of the Securities within the United States and other countries comply with applicable securities laws. Please see "Subscription and Sale." None of the Issuer or The Company can predict whether an active trading market for the Securities will develop or be sustained.

The insolvency laws of British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Securities are familiar.

As the Issuer is incorporated under the laws of British Virgin Islands and the Company is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or the Company would likely involve British Virgin Islands or PRC insolvency laws, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Securities are familiar.

The ratings of the Securities may be downgraded or withdrawn and may adversely affect the market price of the Securities.

The Securities are expected to be rated "A-" by Fitch and "A3" by Moody's, upon issuance. Moody's has assigned a corporate rating of "A3" with a stable outlook by Moody's and Fitch has assigned a corporate rating of "A" with a stable outlook to the Company. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Securities and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Securities. A rating is not a recommendation to buy, sell or hold the Securities. The ratings can be lowered or withdrawn at any time. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Any decline in the financial position of the Issuer, the Company, or any of its subsidiaries may impair the ability of the Issuer or the Company to make payments to the Holders under the Securities and/or result in the rating of the Securities being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Securities is subsequently lowered or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Securities. Neither the Company nor the Issuer is obliged to inform the holders of the Securities if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Securities and the Issuer's and the Company's ability to access the debt capital markets.

Investment in the Securities is subject to exchange rate risks.

The Securities are denominated and payable in US dollars. If a Holder measures its investment returns by reference to a currency other than US dollars, an investment in the Securities entails foreign exchange related risks, including changes in the value of US dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the US dollars against such currency could cause a decrease in the effective yield of the Securities below their stated coupon rates and could result in a loss when the return on the Securities is translated into such currency. In addition, there may be tax consequences for Holders as a result of any foreign currency gains resulting from any investment in the Securities.

Modifications and waivers may be made in respect of the Terms and Conditions of the Securities and the Trust Deed by the Trustee or less than all of the holders of the Securities.

The Terms and Conditions of the Securities provide that the Trustee may, without the consent of Holders, agree to any modification of the Guarantee, the Trust Deed, the Terms and Conditions of the Securities and/or the Agency Agreement (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders or which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities, the Trust Deed, the Guarantee or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Several initial investors may own a majority of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of such Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market.

Several initial investors may own a majority of the Securities being offered under this Offering Circular. Any holder of a majority in aggregate principal amount of the Securities will have certain rights and powers under the Trust Deed and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Securities may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in “Terms and Conditions of the Securities”, the Trust Deed, the Securities and the Guarantee may be amended with the consent of the holders of a majority in aggregate principal amount of the Securities, and certain compliance with any provision of such Trust Deed, the Securities or the Guarantee may be waived with the consent of the holders of a majority in aggregate principal amount of the Securities. Accordingly, any holder that holds a majority in aggregate principal amount of the Securities will be able to exercise such rights and powers on behalf of all holders of the Securities and control the outcome of votes on such matters.

In addition, any holder that holds a significant percentage of the Securities, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders the Securities.

Additionally, the existence of any such significant holder may reduce the liquidity of the Securities in the secondary trading market. If such holder sells a material portion of the Securities at any one time, it may materially and adversely affect the trading price of the Securities.

The Company's financial statements were prepared in conformity with PRC GAAP, which differs from IFRS in certain aspects, and investors may have less confidence in the reliability of the Company's financial statements and adversely affect the market price of the Securities.

The audited consolidated financial statements of the Company included elsewhere in this Offering Circular were prepared in conformity with PRC GAAP which differs in certain aspects from IFRS. See "Summary of Certain Material Differences between PRC GAAP and IFRS". Investors may have less confidence in the audited consolidated financial statements of the Company and the financial information of the Company included elsewhere in this Offering Circular, which may adversely affect the market price of the Securities. In addition, investors should consult their own professional advisers for an understanding of any difference and how they may affect the financial information contained herein.

The Securities may not be a suitable investment for all investors.

Each potential investor in any Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Securities, the merits and risks of investing in the relevant Securities and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Securities and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Securities;
- understand thoroughly the terms of the relevant Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Securities are legal investments for it, (b) Securities can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

The Securities will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Securities will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each a “Clearing System”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Securities. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Securities are represented by the Global Certificate the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

RISKS RELATING TO TAXATION

The following is a summary of certain tax related risk factors. The following risk factors do not purport to be a complete explanation of all of the tax related risks that relate to the purchase, ownership and disposition of the Securities. Notwithstanding, any potential purchaser of Securities should note the risk that the Issuer may be deemed to be a tax resident in PRC which, if it were to occur, may result in, inter alia, PRC withholding tax being imposed on payments made to Holders and/or PRC taxes being imposed on any gains realised as a result of any disposal or other transfer of the Securities. In such circumstances, the value of the relevant Holder’s investment may be materially and adversely affected. For further information, see the “Taxation” section below.

The Issuer may be deemed to be a PRC tax resident enterprise by the PRC tax authorities and certain withholding taxes may be applicable.

The Issuer is incorporated under the laws of British Virgin Islands. Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of China will be deemed as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. The “de facto management body” is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. Most of the Issuer’s and the Company’s directors and senior management are currently based inside China and they may keep their respective books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes.

It remains unclear how the PRC tax authorities will interpret such a broad definition. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer or the Company is within the territory of PRC, the Issuer may be deemed as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% in respect of its income sourced from both within and outside PRC.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that they are considered as “a PRC tax resident enterprise” for the purpose of the EIT Law. As such, non-resident enterprise holders of the Securities will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Securities or any repayment of principal and payment of interest made thereon by the Issuer. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment within the PRC shall pay enterprise income tax at the rate of 10% on its income sourced inside the PRC, unless a lower rate is available under an applicable tax treaty and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, withholding the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer will be required to withhold income tax from the payments of interest in respect of the Securities to any non-PRC enterprise Holder, and any gain realised by non-PRC enterprise Holders from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC withholding tax, unless a lower rate is available under an applicable tax treaty. While the Holders are non-PRC individuals, the above-mentioned rate shall be 20%, unless a lower rate is applicable.

Gains on the transfer of the Securities may be subject to income tax under PRC tax laws.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Securities by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Securities by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Securities minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Holders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Securities.

If a Holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Securities, the value of the relevant Holder’s investment in the Securities may be materially and adversely affected.

The Issuer may elect to redeem the Securities in whole, but not in part, if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Holder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Securities.

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to

withhold tax from the distributions on the Securities, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding been required. As described under Condition 5(c) of the Terms and Conditions, if the Issuer is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Securities in whole, but not in part, at a redemption price equal to 100% of the principal amount together with any distribution accrued to the date fixed for redemption. The date on which the Issuer elects to redeem the Securities may not accord with the preference of particular Holders. In addition, a Holder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Securities.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, which will be endorsed on the individual Certificates evidencing the Securities.

The U.S.\$900,000,000 in aggregate principal amount of 4.30 per cent. unsubordinated guaranteed perpetual securities (the “**Securities**”, which expression includes any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Coastal Emerald Limited (the “**Issuer**”) was authorised by a written resolution of the board of directors of the Issuer passed on 16 July 2019. The Securities are guaranteed by Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)(the “**Company**”). The Securities have the benefit of a deed of guarantee (the “**Deed of Guarantee**”) dated 1 August 2019 executed by the Company and the Trustee (as defined below). The giving of the Guarantee of the Securities was authorised by the minutes of the general manager office meeting dated 24 June 2019. The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 1 August 2019 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Trust Deed**”) between the Issuer, the Company and Citicorp International Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 1 August 2019 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Agency Agreement**” and, together with the Trust Deed and the Deed of Guarantee, the “**Contracts**”) between the Issuer, the Company, Citibank, N.A., London Branch as registrar (in that capacity, the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities) and transfer agent (in that capacity the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the paying agents appointed from time to time thereunder (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), the calculation agent (the “**Calculation Agent**”, which expression includes any successor or additional calculation agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent, the Calculation Agent and the Paying Agents and any reference to an “**Agent**” is to any one of them.

Certain provisions of these Conditions are summaries of the Contracts and are subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those of the other Contracts that are applicable to them. Copies of the Contracts are available for inspection following prior written request and satisfactory proof of holding by Holders during normal business hours (between 9:00 am and 3:00 pm Monday to Friday, public holidays excepted) with reasonable prior written notification at the specified offices of each of the Agents, the initial specified offices of which are set out below.

All capitalised terms not defined in these Conditions have the meanings ascribed to them in the Trust Deed.

1. FORM, DENOMINATION, STATUS, RANKING AND GUARANTEE

- (a) *Form and denomination*: The Securities are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

- (b) *Status of the Securities*: The Securities constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a)(*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.
- (c) *Guarantee of the Securities*: The Company has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities (the “**Guarantee of the Securities**”) and under the Trust Deed. The Guarantee of the Securities constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3(a)(*Negative Pledge*)) unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

*Upon issue, the Securities will be evidenced by a global Certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) and will be exchangeable for individual Certificates only in the circumstances set out therein.*

2. REGISTER, TITLE AND TRANSFERS

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) outside the United Kingdom and the PRC in respect of the Securities in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Holder**” shall be construed accordingly. The Securities are evidenced by certificates (each, a “**Certificate**”) and each Certificate shall evidence the entire holding of Securities by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer, duly completed) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers*: Subject to paragraphs (f) and (g) below, a Security may be transferred (in whole or in part) upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are in Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor and a further new Certificate in respect of the part transferred shall be issued to the transferee. In the case of a transfer of Securities to a person who is already a holder of Securities, a new Certificate evidencing the enlarged holding shall only be issued against the surrender of the Certificate evidencing the existing holding.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Securities transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day, other than a Saturday or Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

Except in the limited circumstances described herein, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

- (e) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such pre-funding, security or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* No Holders may require the transfer of a Security to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities.
- (g) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder following prior written request and satisfactory proof of holding.

3. CERTAIN COVENANTS

- (a) *Negative Pledge*

So long as any Security remains outstanding (as defined in the Trust Deed), none of the Issuer or the Company shall, and the Issuer and the Company shall procure that none of their respective Subsidiaries (other than any Listed Subsidiaries, Weihai City Commercial Bank Company Limited (威海市商業銀行股份有限公司) and their respective Subsidiaries) will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or any Guarantee or indemnity of Relevant Indebtedness outside the PRC without (1) at the same time or prior thereto securing the Securities equally and rateably therewith or (2) providing such other security for the Securities as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

- (b) *Financial Statements*

(A) So long as any Security remains outstanding (as defined in the Trust Deed), the Company shall send to the Trustee:

- (i) as soon as they are available and in any event not more than 180 days after the end of each financial year, two copies in Chinese (together in each case with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider, and checked by a nationally recognised firm of independent accountants, and a certificate in English signed by an authorised signatory of the Company certifying that such translation is complete and accurate) of its audited consolidated annual financial statements (including but not limited to the balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity, each on a consolidated basis) prepared in accordance with the accounting principles generally accepted in the PRC for the relevant financial year (together with any reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them);
- (ii) as soon as they are available and in any event not more than 120 days after the end of each semi-annual financial period, two copies of its unaudited semi-annual financial statements (including balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity) in Chinese (together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider, and checked by a nationally recognised firm of independent accountants, and a certificate in English signed by an authorised signatory of the Company certifying that such translation is complete and accurate) prepared on a basis consistent with the most recent audited financial statements (together with any reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them); and
- (iii) within 14 days of a written request by the Trustee and at the time of provision of the annual financial statements pursuant to paragraph (i) above, a Compliance Certificate.

(c) *Issuer Activities*

For so long as any Security remains outstanding, the Issuer shall not, and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issuance of debt or other securities (including the Securities) (such activities shall, for the avoidance of doubt, include without limitation the (i) the offering, sale or issuance of such debt or other securities; (ii) the incurrence of Relevant Indebtedness represented by such debt or other securities; (iii) the offering, sale or issuance of Relevant Indebtedness as permitted under the Conditions; (iv) the on-lending of the proceeds of the issue of such debt or other securities to the Company or as it may direct; and (v) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence).

(d) *Undertakings relating to the Guarantee of the Securities*

The Company undertakes to file or cause to be filed with the Shandong Branch of the State Administration of Foreign Exchange of the PRC ("SAFE"), the Guarantee of the Securities within 15 business days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Company shall comply with all applicable PRC laws and regulations in relation to the Guarantee of the Securities.

The Company shall before the Registration Deadline and within five business days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company confirming the Cross-Border Security Registration and (ii) copies of the relevant SAFE registration certificates, any other document evidencing the completion of registration issued by SAFE and the particulars of registration (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Company shall procure that, within five business days after the Registration Documents are delivered to the Trustee, the Issuer give notice to the Holders confirming the completion of the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the filing or registration of the Guarantee of the Securities with SAFE on or before the deadlines provided in this Condition 3(d) or under applicable law or to check or verify the accuracy, validity and/or genuineness of any certificate, confirmation or other document in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents or the accuracy or completeness of the translation into English of any such certificate, confirmation or other document or to give notice to the Holders confirming the completion of the Cross-Border Security Registration, and the Trustee shall not be liable to any Holders or any other person for not doing so.

(e) *NDRC Registration*

The Company undertakes to file or cause to be filed with the PRC National Development and Reform Commission of the PRC (“**NDRC**”) the requisite information and documents within the timeframe prescribed by the NDRC after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”). The Company shall, within 10 business days after submission of the NDRC Post-issue Filing, provide the Trustee with a certificate in English substantially in the form set out in the Trust Deed signed by an authorised signatory of the Company confirming the submission of the NDRC Post-issue Filing and having attached to it documents evidencing submission of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing within the timeframe referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Holders confirming the completion of the NDRC Post-Issue Filing, and shall not be liable to any Holder or any other person for not doing so.

4. **DISTRIBUTION**

- (a) *Distribution*: Subject to paragraph (d) below, the Securities confer a right to receive distributions (each, a “**Distribution**”) from, and including the Issue Date at the Distribution Rate in accordance with this Condition 4. Subject to paragraph (d) below, Distributions shall be payable on the Securities semi-annually in arrear on 1 February and 1 August of each year (each, a “**Distribution Payment Date**”), commencing on 1 February 2020.

Subject to this Condition 4 and in respect of the period from, and including, the Issue Date to, but excluding, 1 August 2024 (the “**First Call Date**”), the amount of a Distribution payable on each Distribution Payment Date shall be U.S.\$21.50 per Calculation Amount. As used herein, “**Calculation Amount**” means US\$1,000.

If any Distribution is required to be calculated in respect of a period of less than a semi-annual period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

- (b) *Rate of Distribution:* Subject to any increase pursuant to paragraph (e) below, the rate of distribution (“**Distribution Rate**”) applicable to the Securities shall be:
- (i) in respect of the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate; and
 - (ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.
- (c) *Distribution Accrual:* Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from and including the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such event, Distribution shall continue to accrue as provided in the Trust Deed. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (both before and after judgement) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of such Security are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).
- (d) *Distribution Deferral:*
- (i) *Optional Deferral:* The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date (a “**Optional Deferral Event**”). Any partial payment of any Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.
 - (ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with subparagraph (i) above.
 - (iii) *Cumulative Deferral:* Any Distribution deferred pursuant to this paragraph (d) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in subparagraph (i) above) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this paragraph (d) except that Condition 4(d)(iv)(*Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

Each amount of Arrears of Distribution shall accrue the right to receive a Distribution as if it constituted part of the principal of the Securities at the prevailing Distribution Rate and the amount of such Distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(iv) *Restrictions in the case of Deferral:*

(A) The Issuer undertakes, and undertakes to procure its Subsidiaries, unless the Payment Condition has been fully satisfied or the Issuer or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:

- (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and shall procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Company (except (x) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
- (2) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Company (except (x) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (z) as a result of the exchange or conversion of such Parity Securities for Junior Securities of the Issuer or the Company, as the case may be).

(B) The Company undertakes, and undertakes to procure the Issuer and the other Subsidiaries of the Company, unless the Payment Condition has been fully satisfied or the Issuer or the relevant Subsidiary is otherwise permitted to do so by an Extraordinary Resolution of the Holders:

- (1) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Company (except (x) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); and
- (2) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Company (except (x) in relation to the Parity Securities of the Issuer or the Company, as the case may be, on a *pro rata* basis, (y) in connection with any employee benefit plan or similar arrangements with or for the

benefit of employees, officers, directors or consultants, or (z) as a result of the exchange or conversion of such Parity Securities for the Junior Securities of the Issuer or the Company, as the case may be).

For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 4(d)(i) will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities.

(v) *Satisfaction of Arrears of Distribution by payment:*

The Issuer:

- (A) may satisfy any Arrears of Distribution and Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than five nor more than 10 business days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earlier of:
 - (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 5 (*Redemption and Purchase*);
 - (2) a Winding-Up of the Issuer or the Company; and
 - (3) the date of any substitution or variation in accordance with Condition 12(d).

The Company undertakes as a primary obligation to pay all outstanding Arrears of Distribution and Additional Distribution Amount upon a Winding-Up of the Issuer or the Company.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

- (vi) *No default:* Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this paragraph (d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer or the Company under the Securities or the Guarantee of the Securities or for any other purpose.

(e) *Increase in Distribution Rate following occurrence of certain events:*

- (i) *Increase in Distribution Rate:* Upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 5.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the

relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date; *provided that* the maximum aggregate increase in the Distribution Rate pursuant to this paragraph (e) shall be 5.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this paragraph (e) is separate from and in addition to any change in the Distribution Rate pursuant to subparagraph (b)(ii) above.

Any increase in the Distribution Rate pursuant to this paragraph (e) shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 30th day following the occurrence of the relevant Step-Up Event.

- (ii) *Decrease in Distribution Rate*: If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 5.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event *provided that* the maximum aggregate decrease in the Distribution Rate pursuant to this paragraph (e) shall be 5.00 per cent. per annum.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Step-Up Event or any event which could lead to a Step-Up Event has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

5. REDEMPTION AND PURCHASE

- (a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 8 (*Non-payment*)) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).
- (b) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**"). On expiry of any such notice as is referred to in this paragraph (b), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this paragraph (b).
- (c) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that, as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or application of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment (x) in the case of the

Company or the Issuer becomes effective on or after 25 July 2019 and (y) in the case of any successor to the Company or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of 25 July 2019 becomes effective on or after the date such successor assumes the Company's or the Issuer's obligations, as applicable, under the Securities, the Trust Deed and/or the Guarantee of the Securities (each a "**Gross-Up Event**"),

- (i) (A) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts with respect to the Securities as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Issuer or any successor person, as the case may be; or
- (ii) (A) the Company is or (if a demand was made under the Guarantee of the Securities) would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Company or any successor person, as the case may be,

provided, however, that no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer or the Company, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by one authorised signatory of the Issuer stating that the circumstances referred to in Condition 5(c)(i) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by one authorised signatory of the Company stating that the circumstances referred to in Condition 5(c)(ii) above prevail and setting out details of such circumstances and (2) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in Condition 5(c)(i) and 5(c)(ii) above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an event as referred to in this Condition 5(c) has occurred or may occur and none of them shall be liable to the Holders, the Issuer, the Company or any other person for not doing so.

- (d) *Redemption for accounting reasons:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Holders, the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at:
 - (i) 101 per cent. of their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

- (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer satisfies the Trustee that, as a result of any changes or amendments to, or a change or amendment to the general application or any interpretation of, the Accounting Standards for Business Enterprises in the PRC, the HKFRSs or any other generally accepted accounting standards that may be adopted by the Company or the HK Holdco for the purposes of preparing their respective consolidated financial statements (each, the “**Relevant Accounting Standards**”), the Securities in whole or in part must not or must no longer be recorded as “**equity**” of the Company or the HK Holdco, as the case may be, in its consolidated financial statements pursuant to the Relevant Accounting Standards (an “**Accounting Event**”).

Prior to the publication of any notice of redemption pursuant to this paragraph (d), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by one authorised signatory of the Company, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and that such Accounting Event cannot be avoided by the Company taking reasonable measures available to it; and
- (B) an opinion, in form and substance satisfactory to the Trustee, of the independent auditors of the Company, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to, or the relevant change or amendment to the relevant interpretation of, the Relevant Accounting Standards is due to take effect,

provided, however, that no notice of redemption may be given under this paragraph (d) earlier than 90 calendar days prior to the date on which the relevant change or amendment to, or the relevant change or amendment to the relevant application or interpretation of, the Relevant Accounting Standards is due to take effect.

Upon the expiry of any such notice as is referred to in this paragraph (d), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (d); *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as “**equity**” of the Company pursuant to the Relevant Accounting Standards.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) of this paragraph (d), in which event it shall be conclusive and binding on the Holders.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an Accounting Event or any event which could lead to an Accounting Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Relevant Accounting Standards, and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (e) *Redemption for Change of Control*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at:
- (i) 101 per cent. of their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
 - (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if a Change of Control occurs.

Prior to the publication of any notice of redemption pursuant to this paragraph (e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by one authorised signatory of the Company, stating that the circumstances referred to above in this paragraph (e) prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this paragraph (e), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (e).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (f) *Redemption for a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of:
- (i) a Breach of Covenant Event;
 - (ii) a Relevant Indebtedness Default Event; or
 - (iii) a Dividend Stopper Breach Event.

Upon the expiry of any such notice as is referred to in this paragraph (f), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (f).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event, or any event which could lead to a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (g) *Redemption for minimum outstanding amount:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled. Upon the expiry of any such notice as is referred to in this paragraph (g), the Issuer shall be bound to redeem the Securities in accordance with this paragraph (g).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an event as referred to in this paragraph (g) has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Securities otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Purchase:* The Issuer, the Company or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (j) *Cancellation:* All Securities so redeemed or purchased by the Issuer, the Company or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (k) *Calculations:* Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

6. PAYMENTS

- (a) *Principal:* Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.
- (b) *Distribution:* Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of Distribution payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon presentation of the relevant Certificates at the specified office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments

of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, presented) at the specified office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

- (e) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).

- (f) *Partial payment:* If a Paying Agent makes a partial payment in respect of any Securities, the Registrar will annotate the Register with that the amount and date of such payment and, in the case of partial payment upon presentation of a Certificate, the Paying Agent shall procure that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

7. TAXATION

- (a) *Gross up:* All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or the PRC, any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each as applicable, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

In the event the Issuer or the Company is required to make such deduction or withholding, the Issuer or the Company, as the case may be, shall pay such additional amounts (the "Additional Amounts") as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (i) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or
- (ii) by or on behalf of a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such

a declaration or claim, such holder, which is legally capable and competent of making such a declaration or claim, fails to do so within any applicable period prescribed by such relevant tax authority; or

- (iii) (in the case of a payment in principal) in respect of which the Certificate is surrendered (where required to be surrendered) more than 30 calendar days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had presented such Certificate for payment on the last day of such period of 30 calendar days.
- (b) *Taxing jurisdiction*: If the Issuer or the Company (or any successor of the Issuer or the Company) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or the PRC, references in these Conditions to the Relevant Jurisdiction shall be construed to include such other jurisdiction.

Any reference in these Conditions to principal or Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of such principal or Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

8. NON-PAYMENT

- (a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8, the right to institute proceedings for Winding-Up of the Issuer or the Company is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with sub-paragraph (d)(i) to sub-paragraph (d)(iii) (*Distribution Deferral*) of Condition 4 (*Distribution*).
- (b) *Proceedings for Winding-Up*:
 - (i) If (A) there is a Winding-Up of the Issuer or (B) the Issuer shall not make payment in respect of the Securities or under the Trust Deed, for a period of 14 days or more after the date on which such payment is due, the Issuer and the Company shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee of the Securities and the Trustee may, subject to the provisions of paragraph (d) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.
 - (ii) Without prejudice to Condition 8(b)(i), if (A) there is a Winding-Up of the Company or (B) the Company shall not make payment in respect of the Guarantee of the Securities or the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Guarantee of the Securities and the Trustee may, subject to the provisions of paragraph (d) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.
- (c) *Enforcement*: Without prejudice to paragraph (b) but subject to the provisions of paragraph (d) below, the Trustee may at its discretion and without notice to the Issuer or the Company take such steps and/or action and/or institute such proceedings against the Issuer or the Company as it may think fit to enforce any term or condition binding on the Issuer or the

Company under the Contracts, the Securities or the Guarantee of the Securities, as the case may be (other than any payment obligation of the Issuer or the Company under or arising from the Securities, the Guarantee of the Securities, the Trust Deed or the Deed of Guarantee, including, without limitation, payment of any principal, premium (if any) or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), and in no event shall the Issuer or the Company, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. The rights and remedies of the Trustee and the Holders under the Securities and the Contracts are cumulative and not exclusive of any rights or remedies provided by law.

- (d) *Entitlement of Trustee*: The Trustee shall not be obliged to take any of the actions referred to in paragraph (b) or (c) above against the Issuer or the Company to enforce the terms of the Contracts, the Securities or the Guarantee of the Securities, as the case may be, unless (A) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the Securities then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its fees, costs, expenses, indemnity payments and other accounts in priority to the claims of the Holders in accordance with the Trust Deed.
- (e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or the Company or to institute proceedings for the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Company as those which the Trustee is entitled to exercise as set out in this Condition 8.
- (f) *Extent of Holders' remedy*: No remedy against the Issuer or the Company, other than as referred to in this Condition 8, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee of the Securities or under the Trust Deed or Deed of Guarantee or in respect of any breach by the Issuer or the Company of any of their respective other obligations thereunder or in respect thereof.

9. PRESCRIPTION

Claims for payment in respect of the Securities shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company and any entity relating to the Issuer or the Company without accounting for any profit therefore to the Holders or any person.

In the exercise of its powers and discretions under these Conditions and the Contracts, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders, including as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer, the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Company reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, or registrar or calculation agent and additional or successor paying agents and transfer agents; *provided, however, that:*

- (a) the Issuer and the Company shall at all times maintain a principal paying agent, a registrar and a calculation agent; and
- (b) if and for so long as the Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Company shall maintain a Paying Agent and/or a Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders by the Issuer.

12. MEETINGS OF HOLDERS, MODIFICATION, WAIVER, SUBSTITUTION OR VARIATION

- (a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or any Contract. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Company (acting together) or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, secured and/or pre-funded to its satisfaction, upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more Persons being or representing Holders whatever the principal amount of the Securities held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities, who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

For so long as the Securities are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Holders of not less than 90 per cent. in principal amount of the Securities for the time being outstanding.

- (b) *Modification, authorisation and waiver:* The Trustee may, without the consent of the Holders, agree to any modification of these Conditions or any Contract (in each case, other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Holders and to any modification of the Securities or any Contract which is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Holders authorise or waive any proposed breach or breach of these Conditions or any provision of the Securities or any Contract (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Holders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

- (c) *Directions from Holders:* Notwithstanding anything to the contrary in these Conditions or any Contract, whenever the Trustee is required or entitled by the terms of these Conditions or any Contract to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.
- (d) *Substitution or Variation:* If a Special Event has occurred and is continuing, then the Issuer may at its option, subject to Condition 4 (*Distribution*) (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 12(d) that the provisions of this Condition 12(d) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), to the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall

(subject to the following provisions of this Condition 12(d) and subject to the receipt by it of the certificate of (x) one authorised signatory of the Issuer and (y) of an Independent Investment Bank referred to in the definition of Qualifying Securities, on which the Trustee may rely absolutely) agree to such substitution or variation. Any such substitution or variation agreed to by the Trustee as aforesaid shall be binding on the Holders.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 12(d). In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 4(d)(v) (*Satisfaction of Arrears of Distribution by payment*).

Any such substitution or variation in accordance with the foregoing provisions of this Condition 12(d) shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

In these Conditions:

- (i) **“Special Event”** means a Gross-Up Event, an Accounting Event or any combination of the foregoing; and
- (ii) **“Qualifying Securities”** means securities that:
 - (A) have terms not materially less favourable to an investor than the terms of the Securities, *provided that*
 - (1) they are issued by the Issuer or any Finance Subsidiary of the Company, *provided that* the Company shall own and control, directly or indirectly at least 50.1 per cent. of the Voting Rights of such Subsidiary;
 - (2) they are unconditionally and irrevocably guaranteed by the Company; and
 - (3) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or the guarantor thereof, shall preserve the Holders’ rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide at least for the same Distribution Rate (including the distribution amount receivable thereunder), Distribution Payment Dates and redemption events, from time to time applying to the Securities and otherwise have substantially identical (as reasonably determined by the Issuer) terms to the Securities, save where any modifications to such terms are required to be made to resolve a Gross-Up Event or, as the case may be, an Accounting Event;
 - (B) have been, or will on issue be, assigned at least the same credit rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and
 - (C) are listed on or by The Stock Exchange of Hong Kong Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets,

in each case as certified to the Trustee by (x) any director of the Issuer and (y) an Independent Investment Bank prior to the substitution or variation of the relevant Securities.

13. ENFORCEMENT

The Trustee may at any time, at its absolute discretion and without notice, institute such actions, steps or proceedings as it thinks fit to enforce its rights under the Contracts and in respect of the Securities, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified, prefunded and/or secured to its satisfaction.

No Holder may proceed directly against the Issuer or the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date, the issue price, the first payment of Distribution, the timing for notification to the NDRC and the timing for registering the Deed of Guarantee with SAFE) so as to be consolidated and form a single series with the Securities. Any further securities forming a single series with the outstanding securities constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

15. NOTICES

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. GOVERNING LAW AND JURISDICTION

- (a) *Governing law:* The Securities and the Contracts and any non-contractual obligations arising out of or in connection therewith are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Company has in the Contracts (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Securities and the Contracts (including any non-contractual obligations arising out of or in connection therewith); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) designated a person in Hong Kong to accept service of any process on its behalf.
- (c) *Waiver of immunity:* To the extent that the Issuer or the Company may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity

(whether or not claimed), each of the Issuer and the Company agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

17. DEFINITIONS

In these Conditions:

“**Accounting Event**” has the meaning ascribed to it in paragraph (d) (*Redemption for accounting reasons*) of Condition 5 (*Redemption and Purchase*);

“**Additional Amounts**” has the meaning ascribed to it in Condition 7 (*Taxation*);

“**Additional Distribution Amount**” has the meaning ascribed to it in sub-paragraph (iii) (*Cumulative Deferral*) of Condition 4(d) (*Distribution Deferral*);

“**Arrears of Distribution**” has the meaning ascribed to it in sub-paragraph (iii) (*Cumulative Deferral*) of Condition 4(d) (*Distribution Deferral*);

“**Asset-Backed Security**” has the meaning ascribed to it in Section 3(a)(77) of the U.S. Securities Exchange Act of 1934;

“**Breach of Covenant Event**” means the occurrence of a Covenant Breach;

“**business day**” means: (a) in respect of Condition 2 (*Register, Title and Transfers*), a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office; (b) in respect of Condition 4 (*Distribution*), any day on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York and in the place in which the specified office of the Principal Paying Agent is located; and (c) in respect of Condition 6 (*Payments*), (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which banks and foreign exchange markets are open for business in New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed);

“**Call Date**” has the meaning ascribed to it in paragraph (b) (*Redemption at the option of the Issuer*) of Condition 5 (*Redemption and Purchase*);

“**Change of Control**” means the occurrence, at any time, of any of the following:

- (a) (a) Shandong SASAC and (b) any other person controlled by the central government of the PRC (such person and the Shandong SASAC, “**PRC Government Persons**”) together cease to control (whether directly or indirectly or in combination) the Company; or
- (b) the Company ceases to own not less than 40.0 per cent. of the issued share capital of HK Holdco or ceases to be the single largest shareholder of the HK Holdco; or
- (c) the HK Holdco ceases to wholly own (whether directly or indirectly or in combination) the issued share capital of the Issuer;

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practise, in pricing new issues of corporate debt securities with a maturity of five years and then notified in writing by the Issuer to the Trustee and the Calculation Agent;

“Comparable Treasury Price” means with respect to the relevant Reset Determination Date, the average of three Reference Treasury Dealer Quotations (or such lesser number as is received by the Issuer) for such Reset Determination Date; if the Comparable Treasury Price cannot be determined in accordance with the above provisions, as determined by the Independent Investment Bank;

“Compliance Certificate” means a certificate of each of the Issuer and the Company signed by any authorised signatory certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer or the Company (as the case may be) as at a date (the **“Certification Date”**) not more than five days before the date of the certificate:

- (a) no Step-Up Event, or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Non-payment*), become a Step-Up Event had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event or circumstance had occurred, giving details of it; and
- (b) each of the Issuer and the Company has complied with all its obligations under the Trust Deed, the Securities and the Deed of Guarantee or, if non-compliance had occurred, giving details of it;

“control” means, with respect to a Person, either (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of the Person’s board of directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

“Covenant Breach” means a non-compliance or non-performance by the Issuer or the Company of any one or more of its obligations and covenants set out in Condition 3 (*Certain Covenants*) and the Deed of Guarantee;

“Distribution” has the meaning ascribed to it in paragraph (a) (*Distribution*) of Condition 4 (*Distribution*) and includes Arrears of Distribution and Additional Distribution Amount (if any) whether or not so specified in these Conditions;

“Distribution Payment Date” has the meaning ascribed to it in paragraph (a) (*Distribution*) of Condition 4 (*Distribution*);

“Distribution Rate” has the meaning ascribed to it in paragraph (b) (*Rate of Distribution*) of Condition 4 (*Distribution*);

“Dividend Stopper Breach Event” means a non-compliance or non-performance by the Issuer or the Company of any of the restrictions set out in Condition 4(d)(iv) (*Restrictions in the case of Deferral*);

“Finance Subsidiary” means any Person who is wholly-owned by the Company and who does not engage in any business activity except (a) the incurrence of Indebtedness to Persons other than the Company, the Issuer or any of their respective Subsidiaries, (b) the ownership of shares of another

Finance Subsidiary, (c) activity related to the establishment or maintenance of that Person's corporate existence, and (d) any other activity in connection with or incidental to activities referred to in (a), (b) or (c) above (but for the avoidance of doubt does not include the Issuer);

"First Call Date" has the meaning ascribed to it in sub-paragraph (b)(i) (*Rate of Distribution*) of Condition 4 (*Distribution*);

"Gross-Up Event" has the meaning given to it in Condition 5(c) (*Redemption for tax reasons*);

"Guarantee" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

- (i) any obligation to purchase such indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such indebtedness; and
- (iv) any other agreement to be responsible for such indebtedness;

provided that, for the purposes of this definition, **"indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (v) amounts raised by acceptance under any acceptance credit facility;
- (vi) amounts raised under any note purchase facility;
- (vii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (viii) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (ix) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Guarantee of the Securities" has the meaning ascribed to it in paragraph (c) (*Guarantee of the Securities*) of Condition 1 (*Form, Denomination, Status, Ranking and Guarantee*);

"HK Holdco" means China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited);

"HKFRSs" means the Hong Kong Financial Reporting Standards;

"Holder" has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register, Title and Transfers*);

"Hong Kong" means the Hong Kong Special Administrative Region;

“Indebtedness” of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer, failing whom, the Company) and notified by the Issuer to the Trustee in writing;

“Initial Distribution Rate” means 4.30 per cent. per annum;

“Issue Date” means 1 August 2019;

“Junior Securities” means (a) in respect of the Issuer, any class of the Issuer’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Issuer; and (b) in respect of the Company, any class of the Company’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Company;

“Listed Subsidiary” means any Subsidiary of the Company the shares of which are at the relevant time listed on any stock exchange and any Subsidiary of such Listed Subsidiary;

“Maximum Distribution Rate” means (a) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate plus 5.00 per cent. per annum; and (b) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 5.00 per cent. per annum;

“Optional Deferral Event” has the meaning ascribed to it in paragraph (d) (*Distribution Deferral*) of Condition 4 (*Distribution*);

“Optional Deferral Notice” has the meaning ascribed to it in paragraph (d) (*Distribution Deferral*) of Condition 4 (*Distribution*);

“Parity Securities” means (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (b) in respect of the Company, any instrument or security issued, entered into or guaranteed by the Company, as the case may be, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities;

“Payment Condition” means the Issuer having satisfied in full all outstanding Arrears of Distribution and Additional Distribution Amount;

“Permitted Security Interest” means:

- (a) any Security Interests existing on the Issue Date;
- (b) any Security Interest created in respect of Relevant Indebtedness in the form of, or represented by, notes, debentures, bonds or other debt securities exchangeable for or convertible into treasury shares or shares in any other company listed on a stock exchange;

- (c) any Security Interest created in respect of Relevant Indebtedness incurred to provide all or any portion of the funds utilised to consummate a transaction or series of related transactions pursuant to which any Person becomes a Subsidiary or was otherwise acquired by the Company; or
- (d) any Security Interest existing on any undertaking, property, assets or revenues of any person at the time such person becomes a Subsidiary of the Company or such undertaking, property, assets or revenues are acquired by the Company or any Subsidiary of the Company *provided that* no such Security Interest shall extend to other undertaking, property, assets or revenues of such person or the Company or any Subsidiary of the Company;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“PRC” means the People’s Republic of China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan);

“Rating Agency” means (a) S&P Global Ratings, and its successors (**“S&P”**), (b) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (**“Moody’s”**), or (c) Fitch (Hong Kong) Limited and its successors (**“Fitch”**); and (d) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Securities publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and the Company, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

“Reference Treasury Dealer” means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected and appointed by the Issuer or the Company (at the expense of the Issuer, failing which the Company);

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer and the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m. on the third business day (as defined in Condition 17 (*Definitions*) pursuant to Condition 4 (*Distribution*)) preceding such Reset Date;

“Register” has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register, Title and Transfers*);

“Registration Deadline” means the day falling 150 calendar days after the Issue Date;

“Relevant Accounting Standards” has the meaning ascribed to it in paragraph (d) (*Redemption for accounting reasons*) of Condition 5 (*Redemption and Purchase*);

“Relevant Date” means whichever is the later of (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent in accordance with the provision of the Agency Agreement on or prior to such due date, the date on which the full amount has been received and notice to that effect has been given to the Holders;

“Relevant Indebtedness” means any present or future Indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, loan stock, certificate or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) but shall not, for the avoidance of doubt, include any Indebtedness which is an Asset-Backed Security;

“Relevant Indebtedness Default Event” means the occurrence of one or more of the following events (and such event is continuing): (a) any Indebtedness of the Issuer, the Company or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (b) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Company or (as the case may be) the relevant Subsidiary or *(provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness, or (c) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness; *provided that* the amount of Indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any Guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds US\$30,000,000 (or its equivalent in any other currency or currencies);

“Relevant Jurisdiction” has the meaning ascribed to it in paragraph (a) (*Gross up*) of Condition 7 (*Taxation*);

“Relevant Reset Distribution Rate” means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the US Treasury Benchmark Rate, (b) the initial spread of 2.445 per cent. and (c) a margin of 5.00 per cent. per annum;

“Reset Date” means the First Call Date and each day falling every five calendar years after the First Call Date;

“Reserved Matter(s)” means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities, to effect the exchange, conversion or substitution of the Securities for other obligations or securities, to amend Condition 3 (*Covenants*) (other than amendments made pursuant to Condition 12(b)), to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“Shandong SASAC” means the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government or its successor;

“Step-Up Event” means the occurrence of a Change of Control, a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event;

“Subordinated Indebtedness” means all indebtedness for money borrowed or raised which, in the event of the Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent;

“Subsidiary” means, in relation to any Person (the **“first Person”**), any other Person which at any time has its accounts consolidated with those of the first Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such other Person from time to time, should have its accounts consolidated with those of the first Person;

“US Treasury Benchmark Rate” means the rate notified by the Calculation Agent to the Issuer and the Trustee in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two New York business days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under sub-paragraph (b)(ii) (*Rate of Distribution*) of Condition 4 (*Distribution*), appearing in the most recently published statistical release designated **“H.15(519)”** (weblink: <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption **“Treasury constant maturities”** for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, **“US Treasury Benchmark Rate”** means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under paragraph (b) (*Rate of Distribution*) of Condition 4 (*Distribution*);

“Voting Rights” means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition); and

“Winding-Up” means a final and effective court order or effective resolution by a competent authority in the respective jurisdiction of the Issuer or the Company for the winding-up, liquidation or similar proceedings in respect of the Issuer or the Company (as applicable).

GLOBAL CERTIFICATE

The Securities will be represented by a global certificate (the “Global Certificate”) and the Global Certificate contains certain provisions which modify the effect of the Terms and Conditions of the Securities. Terms defined in the Terms and Conditions of the Securities and the Trust Deed have the same meaning in the paragraphs below. The following is a summary of those provisions and other provisions related to the Global Certificate:

Meeting

The registered holder of, or a proxy for the registered holder of, the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of Securities and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Securities for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Securities to attend and speak at a meeting of holders of the Securities on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Securities represented by the Global Certificate which is required by the Terms and Conditions of the Securities to be cancelled shall be effected by a reduction in the principal amount of the Securities in the Global Certificate and in the register of holders of Securities.

Payment

Payments of principal, distributions and premium (if any) in respect of any Securities represented by the Global Certificate will be made without presentation, or if no further payment falls to be made in respect of Securities, against presentation and surrender, of the Global Certificate.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Securities may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the terms and conditions of the Securities.

Transfers

Transfers of interests in any Securities represented by the Global Certificate will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Trustee’s Powers

In considering the interests of holders of Securities while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Securities and (b) consider such interests on the basis that such accountholders were the holders of the Securities in respect of which the Global Certificate is issued.

Issuer Redemption

The Issuer's option in Conditions 5(b) to 5(g) may be exercised by the Issuer giving notice to the Trustee within the time limits set out in and containing the information required by Conditions 5(b) to 5(g) and Condition 15.

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be approximately US\$896,800,000. The Group intends to use such proceeds for refinancing and general corporate purposes.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by PBOC. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for the trading against the Renminbi on the following business day. On 18 May 2007, PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3 per cent. to 0.5 per cent. from 21 May 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. On 19 June 2010, PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to this announcement, PBOC will place more emphasis on reflecting market supply and demand with reference to a basket of currencies and continue dynamic management and adjustment of exchange rate floating practice according to published exchange rate floating bands in foreign exchange markets. The floating band was further widened to 1.0 per cent. on 16 April 2012.

On 15 March 2014, PBOC announced that since 17 March 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of published central parity of U.S. dollar on that day, instead of 2 per cent. PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Renminbi exchange rate basically stable at an adaptive and equilibrium level. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. In 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

Period	Renminbi per U.S. Dollar Noon Buying Rate ⁽¹⁾			
	End	Average ⁽²⁾	High	Low
		<i>(RMB per U.S.\$1.00)</i>		
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019				
January	6.6958	6.7863	6.8708	6.6958
February	6.6912	6.7367	6.7907	6.6822
March	6.7112	6.7119	6.7381	6.6916
April	6.7347	6.7161	6.7418	6.6870
May	6.9027	6.8519	6.9182	6.7319
June	6.8650	6.8977	6.9298	6.8510
July (through 5 July)	6.8925	6.8734	6.8925	6.8487

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the actual consolidated capitalisation and indebtedness of the Company as at 31 December 2018 and as adjusted to give effect to the issue of the Securities. This following table should be read in conjunction with the Company's Audited Consolidated Financial Statements included elsewhere in the Original Offering Circular.

	As at 31 December 2018			
	Actual ⁽⁶⁾		As Adjusted	
	RMB	USD ⁽⁴⁾	RMB	USD ⁽⁵⁾
Short term borrowing	9,701,203,883.1	1,407,501,470.2	9,701,203,883.1	1,407,501,470.2
Non-current liabilities due within one year.	10,443,557,980.7	1,515,206,090.8	10,443,557,980.7	1,515,206,090.8
Short term debt	20,144,761,863.8	2,922,707,560.9	20,144,761,863.8	2,922,707,560.9
Long term borrowing.	118,109,159,199.1	17,135,895,422.4	118,109,159,199.1	17,135,895,422.4
Bonds payable	82,927,778,492.4	12,031,596,444.3	82,927,778,492.4	12,031,596,444.3
Bonds to be issued ⁽¹⁾	—	—	3,446,250,000.0	500,000,000.0
Long term debt	201,036,937,691.5	29,167,491,866.7	204,483,187,691.5	29,667,491,866.7
Total debt ⁽²⁾	221,181,699,555.3	32,090,199,427.7	224,627,949,555.3	32,590,199,427.7
Total equity	177,770,457,082.1	25,791,868,999.9	177,770,457,082.1	25,791,868,999.9
Securities to be issued ⁽³⁾	—	—	6,203,250,000.0	900,000,000.0
Total capitalisation ⁽⁴⁾	398,952,156,637.4	57,882,068,427.6	408,601,656,637.4	59,282,068,427.6

Notes:

- (1) This amount represents the aggregate principal amount of the Bonds to be issued concurrently with the Securities, before deducting the fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Bonds.
- (2) Total debt equals the sum of short term debt and long term debt.
- (3) Total capitalisation equals the sum of total debt and total equity.
- (4) This amount represents the aggregate principal amount of Securities to be issued, before deducting the fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Securities.
- (5) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.8925 to US\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 5 July 2019.
- (6) The Issuer issued US\$100,000,000 4.30 per cent. guaranteed bonds due 2029, guaranteed by Shandong Hi-Speed Group Co., Ltd. on 25 July 2019.

On 15 January 2019, the Group issued U.S.\$550 million 5.95 per cent. guaranteed bonds due 2020 (“**January 2019 Bonds**”), which remains outstanding.

On 19 February 2019, the Group issued additional U.S.\$50 million 5.95 per cent. guaranteed bonds due 2020 unconditionally and irrevocably guaranteed by China Shandong Hi-Speed Financial Group Limited with the benefit of a keepwell deed by the Company to be consolidated and form a single series with the January 2019 Bonds, which remains outstanding. On 20 February 2019, the Group issued RMB2 billion 2.94 per cent. short-term papers, which remains outstanding.

On 27 March 2019, the Group issued RMB 1.5billion 2.94 per cent. short-term papers, which remains outstanding.

On 19 April 2019, the Group issued RMB 500 million 3.28 per cent. short-term papers, which remains outstanding.

On 25 April 2019, the Group issued RMB 500 million 3.35 per cent. short-term papers, which remains outstanding.

On 8 May 2019, the Group issued RMB500 million 4.89 per cent. corporate bonds, which remains outstanding.

On 5 June 2019, the Group issued RMB1 billion 2.99 per cent. short-term papers, which remains outstanding.

On 21 June 2019, the Group issued RMB1.5 billion 4.27 per cent. corporate bonds, which remains outstanding.

On 28 June 2019, the Group issued RMB1.5 billion 2.79 per cent. short-term papers, which remains outstanding.

On 1 July 2019, the Group issued RMB500 million 2.75 per cent. short-term papers, which remains outstanding.

On 15 July 2019, the Group issued RMB1 billion 2.60 per cent. short-term papers, which remains outstanding.

On 17 July 2019, the Group issued RMB1 billion 2.60 per cent. short-term papers, which remains outstanding.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Company since 31 December 2018.

DESCRIPTION OF THE ISSUER

Overview

Coastal Emerald Limited is a BVI business company incorporated with limited liability under the laws of the British Virgin Islands on 21 July 2014. The Issuer's registration number is 1833812. Its registered office is located at Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The Issuer is an indirectly wholly owned subsidiary of the Company.

Business Activity

Under the memorandum of association of the Issuer, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law or legislation for the time being in force in the British Virgin Islands. The Issuer does not sell any products or provide any services and has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a direct subsidiary of Perfect Waters Limited and those incidental to the issue of bonds. The Issuer has not since the date of its incorporation and will not carry on or undertake business in the British Virgin Islands.

Directors and Officers

The directors of the Issuer are Mr. Liu Zhijie and Mr. Liu Yao. None of the directors of the Issuer hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with no par value each of a single class and one share has been issued and is held by Perfect Waters Limited. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. From time to time, the Issuer may issue debt securities in various currencies and tenor depending on market conditions.

Financial Statements

Under BVI law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep financial records in such form as are sufficient to give a true and fair view of the state of the Issuer's affairs and to explain its transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DESCRIPTION OF THE GROUP

Overview

The Company was established by the People's Government of Shandong Province (“**Shandong Government**”) as a wholly state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of Shandong Province (“**SSASAC**”). SSASAC, on behalf of Shandong Government, acts as the Company's majority shareholder and holds the shares of the Company together with Shandong Provincial Council for Social Security Fund and Shandong Guohui Investment Co., Ltd. The Group constructs and invests in transport infrastructure, such as expressways and railways, and serves as the sole railway infrastructure investment platform of Shandong Government. Leveraging its advantages in its core expressway and railway businesses, the Group has grown into a modernised, international and efficient transportation and infrastructure conglomerate. The Company, through its subsidiaries and affiliates, is principally engaged in the investment in, and construction, operation and management of various transportation and infrastructure facilities. The Group's businesses can be divided into the following segments:

- expressway;
- railway;
- construction;
- port shipping;
- logistics and trading;
- financial investment; and
- property development.

The Group is the largest provincially supervised state-owned enterprise in Shandong province and the largest infrastructure developer in Shandong province in terms of total assets as at 31 December 2018. As at and for the years ended 31 December 2016, 2017 and 2018, the Group's total assets and profits ranked first among all state-owned enterprises directly supervised by Shandong Government. It is the only state-owned enterprise in Shandong province that was awarded the Special Award (First Class) (省管企業特別獎勵一等獎) by Shandong Government in 2015. In recent years, the Group has won a series of awards, including the “Representative Unit of Intellectual Property Protection of Shandong Province” by the Intellectual Property Office of Shandong Province, the “Innovative Technology Award”, “Best Product Award” and “Classic Engineering Work Award” by the China Highway and Transportation Society. The Group is among the first batch of “Enhanced Financing Monitoring Issuers” selected by the Shanghai Stock Exchange.

As at 31 December 2018, the Group had established its presence across the PRC and 28 foreign countries and regions. Since 2006, the Company has been for 12 consecutive years named as one of the “Top 500 Chinese Enterprises” by the China Enterprise Confederation/China Enterprise Directors Association (CEC/CEDA) (中國企業聯合會/中國企業家協會), and since 2009, the Group has been awarded an AAA rating by various PRC rating agencies, including China Chengxin International Rating Co., Ltd (中誠信國際信用評級有限責任公司) (“**CCXI**”), Dagong Global Credit Rating Co., Ltd (大公國際資信評估有限公司) (“**Dagong**”) and Pengyuan Credit Rating Co., Ltd (鵬元資信評估有限公司) (“**Pengyuan**”).

The Company was originally established in 1997 and was converted into a wholly state-owned enterprise by Shandong Government under the direct supervision of SSASAC in 1999. The Company officially commenced its business in 2001 under the name of Shandong Province Hi-Speed Expressways Limited Liability Company (山東省高速公路有限責任公司) and subsequently in 2002, the Company

was recognised as a large wholly state-owned enterprise by the Shandong Province Economic and Trade Commission (山東省經貿委) and the Shandong Province Statistics Bureau (山東省統計局). In 2005, SSASAC became the sole shareholder of the Company, and the Company's name was changed to Shandong Province Expressways Group Co., Ltd (山東省高速公路集團有限公司). In 2008, with the approval of SSASAC, the Company's name was further changed to its current name, Shandong Hi-Speed Group Co., Ltd (山東高速集團有限公司). In 2018, pursuant to the Notice of SSASAC and Shandong Provincial Council for Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《山東省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈山東高速集團有限公司章程〉的通知》) published by Shandong Government, Shandong Guohui Investment Co., Ltd and Shandong Provincial Council for Social Security Fund became minority shareholders of the Company, holding 20 per cent. and 10 per cent. of the equity interest in the Company, respectively.

As at 31 December 2016, 2017 and 2018, the Group's total assets amounted to RMB458.2 billion, RMB554.2 billion and RMB614.6 billion, respectively; its net assets amounted to RMB112.2 billion, RMB155.5 billion and RMB177.8 billion, respectively. For the years ended 31 December 2016, 2017 and 2018, the consolidated revenue of the Group was RMB58.9 billion, RMB66.6 billion and RMB70.6 billion, respectively, and its consolidated profit attributable to shareholders (including minority interest) was RMB3.4 billion, RMB4.9 billion and RMB5.9 billion, respectively.

Key Strengths and Competitive Advantages

The Group believes that it has the following key strengths and competitive advantages:

An industry leader in expressways with strong market share, an established operational track record, quality assets and leading construction capability

The Group has, since its inception in 1997, firmly established its position as an industry leader in the investment in, and construction, operation and management of roads, expressways, bridges and tunnels in Shandong province. The expressway industry in which the Group operates has high barriers to entry, which has limited the competition from new entrants. High capital requirements, limited land supply and a long investment cycle create natural barriers for potential competitors to commence operations in the expressway business. Hence, the Group is able to develop and maintain its leadership position and market share in the expressway business.

In addition, the Group has built up a strong and stable asset portfolio of quality expressway and railway and an established operational track record. As at 31 December 2018, the Group had operated 29 expressways with a total length of approximately 2,765 kilometres, of which 1,750 kilometres are in Shandong province. This is an increase from previous years when the total length of the expressways operated by the Group was approximately 2,559.9 kilometres, 2,645.6 kilometres and 2,679.8 kilometres as at 31 December 2015, 2016 and 2017, respectively. The length of the expressways under the Group's construction was approximately 746 kilometres as at 31 December 2018.

The Group is also the main railway operator in Shandong province. As at 31 December 2018, the Group had operated and managed railways in a total length of 376 kilometres; its freight traffic volume and freight turnover reached 63.9 million tons and 4.8 billion ton-kilometres, respectively. The Dajiawa-Laizhou-Longkou Railway, Yiyang Railway and Pinglan Railway had over 50 million tons of freight traffic volume and were among the top 10 railways in the PRC in terms of regional freight traffic volume for the year ended 31 December 2018. The Dajiawa-Laizhou-Longkou Railway is an important part of the building of the "four vertical and four horizontal" hi-speed passenger access network in Shandong Province. Yiyang Railway passes through the largest raw salt production base, salt chemical base and tidal flat breeding base in Shandong Province. Eight companies, including Laoshan Port, Rizhao Steel and COFCO Huanghai Grain and Oil, have designed special railway sublines based on Pingyi Railway. Shandong Railway Investment is the railway infrastructure investment platform of Shandong Government. It has invested the Shandong section of the Beijing-Shanghai high-speed railway, the Jiqing Qingdao railway, the Lunan railway, and the Qingyan Rongcheng intercity railway,

which are all important national railway lines. In particular, the number of the passengers of the Beijing-Shanghai high-speed railway has increased from 145 million in 2016 to 180 million in 2017 and further to 192 million in 2018.

The Group has been named as one of the “Top 500 Chinese Enterprises” by the China Enterprise Confederation/China Enterprise Directors Association (CEC/CEDA)(中國企業聯合會/中國企業家協會) for the past 12 consecutive years. Since 2009, the Group has been awarded an AAA rating by various PRC rating agencies, including CCXI, Dagong and. The Group has also received many awards and accolades, in recognition of its outstanding achievement in the design and construction of its projects. For example, Qingdao Jiaozhou Bay Bridge constructed by the Group has won the George Richardson Award and the 12th National Civil Engineering Zhan Tianyou Prize, the highest award that enjoys wide recognition both domestically and internationally.

Attributable to its solid asset portfolio and strong track record accumulated over the years, and by leveraging its extensive expertise, the Group is well-positioned to undertake more projects in the future. As at 31 December 2018, the Group had completed 293 construction projects with a total contracted value of RMB36.7 billion. For the year ended 31 December 2018, the Group had signed 244 new contracts with a total value of RMB23.3 billion. Its expertise is also evidenced by the various professional qualifications it has obtained, including, among others, a Special-class Highway Construction General Contractor Qualification, a Class A Engineering Design Highway Industry Qualification, a Class A Housing Construction and Municipal Utilities Construction General Contractor Qualification and a Class A Steel Structure, Bridge, Highway Pavement Road-base, Highway Traffic Construction (Road Safety Facilities) Professional Contractor Qualification.

In addition to its leading position in Shandong province, the Group has also extended its expressway business in other regions in the PRC. Currently, the Group operates expressways in Shandong, Sichuan, Henan, Yunnan, Hunan and Hubei provinces. The Group has also invested in and operated various inter-province projects, including the Qingdao Jiaozhou Bay Bridge, Leshan-Yibin and Leshan-Zigong expressways in Sichuan province and the Xuchang-Yuzhou and Xuchang-Bozhou expressways in Henan province.

A unique geographical advantage

The Group conducts its business primarily in Shandong province. Shandong is one of the richest and fastest growing provinces in China. It is also a large coastal province and acts as a key transport hub between the Bohai Economic Rim and the Yangtze River Delta Economic Zone of the PRC. The Beijing Economic Rim lies to the north of Shandong province, while the Yangtze River Delta Economic Zone lies to the south of Shandong province. Located in the intersection of the Yellow River Economic Belt and the Bohai Economic Rim and the junction between Northern China and Eastern China, Shandong province plays a significant role in PRC’s economic development.

As a major transport and logistics hub with a significant demand for roads, Shandong province is proactively developing its transport network, in particular expressways, and other modes of transportation. As at 31 December 2018, the total length of expressways in Shandong province was approximately 6,058 kilometres. The cargo throughput of the coastal ports and the inland ports in Shandong province reached 1.6 billion tons and 73.7 million tons, respectively, in 2018, representing a year-on-year increase of 6.4 per cent and 12.5 per cent., respectively.

Attributable to the continuous economic growth in the Bohai Economic Rim and the close cooperation and frequent economic exchanges between Shandong province and the Yangtze River Delta, the freight volume and passenger volume in these regions are expected to increase steadily, thus creating higher demand for transportation services in Shandong province in the future. As a pioneer and leader in the expressway industry in Shandong province, the Group believes that it is well-positioned to seize the opportunity for further growth.

Continued support from Shandong Government

Throughout the development history of the Group, Shandong Government has supported the Group in the expansion of its business through resource procurement and financing. For example, on 19 April 2017, the Group entered into a financial cooperation agreement with China Development Bank, pursuant to which the bank agreed to provide the Group with a RMB65 billion credit facility during China's thirteenth five-year plan (from 2016 to 2020). Also, according to the Lu administrative document number [1999] 136 《魯政字[1999]136號文件》 and Lu state-owned enterprise document number [1999] 27 《魯國資企字[1999]27號文件》, the Company is, and will be, responsible for the centralised financing, construction and operation of a majority of the expressways, roads and bridges in operation and under construction in Shandong province.

The Group has also undertaken a variety of projects for Shandong Government, including:

- the construction of railways across Shandong province and the planning, construction and transport management of local railways, inter-city railways and rail transit infrastructure, such as the Beijing-Shanghai Expressway (Jinan Connecting Line), Northern Bypass around Jinan (Jinan Connecting Line) and Jiqing Expressway;
- cooperation projects launched by the PRC government in support of the foreign economic development, such as the construction of the Serbia Chinese Cultural Centre; and
- investments in emerging industries under the framework of the Shandong Peninsula Oceanic Economic Zone Strategy (山東半島藍色經濟區戰略).

The Group believes that it also has a competitive advantage derived from continuous government supports with respect to industry policy and funding which have also been paramount to the Group's business and development. For the years ended 31 December 2016, 2017 and 2018, the amount of the government funding that the Group received amounted to RMB1,769.0 million, RMB204.8 million and RMB59.8 million, respectively.

Diversified business portfolio that generates a stable cashflow and reduces cyclical risks

The Group's diversified businesses enable the Group to prevent cyclical risks, as the adverse effects of a downturn in one business segment can be offset by an upturn in another. For example, with its high-speed and inter-city railway business and expressway business, the Group is able to provide diversified means of transport for the public, hence the growth in one business is able to compensate the slowdown in the other when people switch between private and public transport. In addition, while consolidating its business and market position within the Shandong province, the Group has been expanding its business to other regions in the PRC and overseas. It has undertaken a number of landmark projects overseas, including, among others, the Toulouse Blagnac Airport, Highway E763 in Serbia, Thomas A. Robinson National Stadium in Bahamas, East-West Highway in Algeria, China Cultural Centre in Serbia, Sino-Sudan Agricultural Cooperation Development Zone, Bandaranaike Memorial International Conference Hall, Hanoi-Hai Phong Expressway in Vietnam, and upgrading of Juba-Rumbek Highway and Juba-Torit Highway in Southern Sudan. The revenue contribution from operations outside Shandong province also helps to decrease the Group's dependence on the economic development in Shandong province and provides the Group with a strong and stable operating cashflow. For the years ended 31 December 2016, 2017, 2018, the Group had net operating cash inflows of RMB30.4 billion, RMB14.1 billion and RMB7.9 billion, respectively. A strong operating cashflow is important as it enhances the Group's ability to obtain more financial support to fund its new projects, and withstand shocks and setbacks.

Sound credit profile and access to financing resources

The Group has a sound credit profile and has traditionally maintained good commercial relationships with different banks, including Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Shanghai Pudong Development Bank, Bank of Communications, Agricultural Bank of China, HSBC, Citibank, Morgan Stanley, DBS Bank, Standard Chartered Bank. Since 2009, the Group has been awarded and maintained an AAA rating by CCXI. The Group has also been awarded an AAA rating by Dagong and Pengyuan from 2015 till date. This has enabled the Group to access a readily-available source of financing at a relatively low cost. In addition, certain of the Group's subsidiaries are publicly listed companies, including Shandong Hi-Speed Company Limited (山東高速股份有限公司) (“SHCL”), which is listed on the Shanghai Stock Exchange (stock code: 600350), Shandong Hi-Speed Road & Bridge Co., Ltd (山東高速路橋集團股份有限公司) (“Shandong Road & Bridge”), which is listed on the Shenzhen Stock Exchange (stock code: 000498), and China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), which is listed on the Stock Exchange of Hong Kong (stock code: 00412). These publicly listed subsidiaries provide the Group with a convenient capital market financing platform. In addition, the Company was the first in the expressway industry to issue onshore long-term corporate bonds. The Group's access to both domestic and international capital markets, coupled with its traditional bank loans has allowed the Group to obtain funds in various forms and issue a wide range of products, including issuance of corporate bonds, medium-term notes and short-term notes. The Group is also actively exploring other funding opportunities, such as private placement and asset-backed securities to widen its financing channels. As at 31 December 2018, the Group had credit facilities of approximately RMB432.9 billion, of which RMB89.8 billion had been used.

Further, the Group believes in prudential management of its financial resources. It strives to maintain its available credit line of no less than RMB100 billion at the minimum and its long-term debt at a percentage of no less than 60 per cent. of its total debt. The Group believes that these sound financing policies have enabled the Group to secure stable and strong financial support for the Group's future expansion and development.

Comprehensive risk management system

The Group faces various risks in conducting its business. Therefore, its ability to tackle these risks has become one of its core competitive advantages. The Group has set up sound systems to monitor the development trend in the transportation industry, in accordance with which it makes timely adjustments to its development strategies. In addition, the Group actively looks for new profit growth opportunities to reduce cyclical risks. The Group's excellent historical performance is a testament to its ability to manage the ups and downs in the development of its diversified businesses. To deal with policy risks, the Group keeps an eye on the development of industry policies, such as the industry's payment tenor and credit policies, by conducting national policy research and actively communicating with relevant governmental departments that formulate industry policies. The Group regards investment business as a profit model that enables it to fully capitalise on its integrated business chain, optimise the allocation of its resources and achieve win-win cooperation with its clients. To reduce funding and implementation risks, the Group focuses on managing project and investment risk control measures, including pre-identification, incident management and post evaluation. The Group pays close attention to the strategic significance and economic benefit of each project it conducts. It has set a minimum internal rate of return for its projects. The Group also has prudent decision-making standards with an internal project passing rate of 10 per cent. The Group places great importance on the payback ability of investment projects. For example, it requires repurchase guarantees for its BT projects and mainly carries out these projects in economically developed areas, and it only undertakes BOT projects with high operating parameters. For complex urban projects, the Group tries to achieve a balanced rolling of funds through phased development and innovative business models. In order to manage risks in working capital management and counterparty, the Group seeks to expand its financing channels, direct financing percentage, match its long-term, medium-term and short-term debts, ensure sufficient supply of funds and reduce financing costs. The Group also seeks to strengthen cooperation with banks to increase its

credit lines and obtain longer credit periods. It also ensures that its clients are government agencies and state-owned enterprises with strong credit position. In order to control capital expenditure risks, the Group focuses on sustainable growth, maintain asset quality and internally implement prudent management of capital expenditures. It ensures that it has cash amounting to 1.5 times of its cash expenditures for short-term solvency. The Group sets clear internal guidelines to ensure that large capital expenditures will not create pressure on funds and other resources and aims to have an asset-liability ratio of no more than 80 per cent., with further reduction of 2 per cent. within the next three years. Finally, to tackle management risk, the Group implements standardised corporate governance, and routinely establishes and improves the structure of corporate governance and various management systems. The Group also frequently carries out internal and external training for its management personnel to improve their overall quality and management abilities.

Experienced management team with strong execution track record

The Group has an experienced and innovative management team that possesses a broad range of industry expertise and has a keen focus on the latest development in the industries such as expressway, railway, port, construction, financial investment, logistics, resource and information technology. The majority of the member of Board of Directors are directly appointed by Shandong Government. The Group's management team has over 25 years of experience in the transport industry and has extensive experience working with the PRC government. The Group has achieved rapid expansion through strategic acquisitions and investments in new business areas under the leadership of the Group's management team.

The Group has established a governance mechanism featured with discipline and efficiency, scientific decision-making, appropriate balance, and integrated right and responsibility. It clearly defines the right and responsibility of its shareholders, Board of Directors, Board of Supervisors and management, and strives to achieve the balance between centralised control of the Group and independence of its subsidiaries.

Strategies

The main development goal of the Group is to be in line with the development plan of Shandong provincial government and to focus on its core transportation business and value chain, as well as on the "Top Ten" industries specified in the Shandong provincial economic "New Normal" by leveraging its business reforms and innovation and continually developing projects. The Group aims to develop and expand its new business lines, to continually improve the quality and efficiency of its traditional business lines, to upgrade the operations of its functional (infrastructure) business lines and to optimize its business layout, which would accelerate the Group's progress of becoming a top tier enterprise at home and abroad.

The Group aims to strengthen its position as a leading infrastructure company in the PRC by focusing on the following strategies:

Continuing to assume the responsibilities of being the major state-owned enterprise of Shandong Government and implement the important mission of infrastructure construction in Shandong province

The Group will continue to maintain its leading position amongst enterprises in Shandong province and promote the development of state-owned enterprises in Shandong province, hence contributing to the economic growth of Shandong province. It will also strive to actively engage in infrastructure construction projects in Shandong province, realise the value of its business, enhance its brand recognition and management systems so as to contribute to the continuous advancement of the infrastructure in the province.

Maintaining high operational efficiency and seizing suitable expansion opportunities

The Group intends to build on the success it has achieved by improving the interconnectivity among its business segments and create synergies by making strategic investments that complement its corporate mission, its main businesses and financial needs. Some of the Group's investments complement the its corporate mission by promoting and advancing the governmental policies while some other investments complement the its business by optimising and strengthening cooperation between business segments. The Group is also looking to make strategic investments that can grow its investment income, thereby supplying the Group with additional liquidity for growing its business.

Establishing a strong foothold regionally and expanding globally

The Group is actively pursuing a strategy of “going global” to expand its presence from Shandong province to other regions in the PRC and ultimately go globally by seeking investment opportunities in markets globally. The Group also aims to undertake projects in line with the promotion of the Belt and Road Initiative. In addition to its vast operations throughout the PRC, it has also participated in overseas projects in East Timor, highway projects in Ghana and Vietnam, a railway project in the Democratic Republic of the Congo and a copper project in Chile, to name a few. The Group will continue to tap into new markets to expand the reach of its operations.

Enhancing risk management and streamlining organisational structure

The Group is actively refining its organisational structure with the aim of enhancing risk management processes and strengthening the position of the Company (as the parent company) in directing the Group's strategies, investments and decision-making process. The Group has strived to consolidate sub-industry groups to promote the integration of resources, elimination of internal competition and duplication and unify management in order to strengthen its business competitiveness and internal control. The Group has achieved this through promoting clear ownership systems, audit control, budget management and effective risk and investment management across the Group. By adhering to a division of business and centralised management system, risks are first identified, investigated and evaluated before effective solutions are implemented to ensure a consistent and systematic approach adopted across the Group.

Recruiting high-skilled talent and emphasising a “people-orientated” culture

The Group is actively improving the management of its human resources and shifting the overall mix and balance, by increasing its efforts on recruiting highly-skilled senior management personnel in logistics and financial investment over traditional low-skilled manual labour. It focuses on the selection, training, evaluation of competent personnel and setting up an effective incentive system to retain its talent and optimise the overall efficiency of management within the Group. The Group also intends to strengthen its corporate culture by promoting a “people-oriented” culture among its staff and sustainable development in the long run.

History and Development

The Company was originally incorporated with limited liability under the laws of the PRC in 1997 and became a state-owned enterprise wholly owned by Shandong Government and directly supervised by the SSASAC in 1999. The rights of the PRC government, represented by the SASAC, are contained in the articles of association of the Company and the Company is managed in accordance with its articles of association and with the provisions of the law of the PRC. In 2018, pursuant to the Notice of SSASAC and Shandong Provincial Council for Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《山東省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈山東高速集團有限公司章程〉的通知》) published by Shandong Government, Shandong Guohui Investment Co., Ltd and Shandong Provincial Council for Social Security Fund became minority shareholders of the Company, holding 20 per cent. and 10 per cent. of the equity interest in the Company, respectively.

The table below sets out certain key events in the development history of the Group:

Year	Milestone
1997	Shandong Hi-Speed Expressways Limited (山東高速公路有限公司)(“ SHEL ”), the Group’s predecessor, was established with a registered capital of RMB180 million.
1999	SHEL’s name was changed to Shandong Province Hi-Speed Expressways Limited Liability Company (山東省高速公路有限責任公司)(“SPHEL”). Shandong Hi-Speed Company Limited (山東高速股份有限公司)(“SHCL”), the Group’s subsidiary, was established.
2002	Shandong Infrastructure Construction Company Limited (山東基建股份有限公司)(“ SD Infrastructure Construction ”), SHCL’s predecessor, was listed on the Shanghai Stock Exchange (stock code: 600350). As at 31 December 2018, SHCL’s registered capital was RMB4.8 billion.
2004	Shandong Government increased SD Infrastructure Construction’s registered capital by allocating it with a capital contribution in the amount of approximately RMB2.1 billion. SSASAC transferred 70 per cent. of equity interest it held in Shandong Hi-Speed Road & Bridge Co., Ltd (山東高速路橋集團股份有限公司)(“Shandong Road & Bridge”) to SPHEL.
2006	The Group won the bid to undertake the construction project of the world’s longest cross-sea bridge, Qingdao Jiaozhou Bay Bridge attributable to the Group’s brand advantage.
2008	The Group changed its name from SPHEL to Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) and its paid-up capital was increased to RMB6.36 billion. Shandong Railway Construction Investment Co., Ltd (山東鐵路建設投資有限公司)(“SD Railway Construction”), the Group’s subsidiary, was established.
2011	Shandong Hi-Speed Logistics Group Company Limited (山東高速物流集團有限公司)(“ SDHS Logistics ”), the Group’s subsidiary, was established in August 2011 as a flagship enterprise in Shandong’s logistics industry with a registered capital of RMB5 billion. SDHS Logistics was ranked first in Shandong’s logistics industry in terms of scale in the PRC.
2012	The Group’s subsidiary, Shandong Road & Bridge, was successfully listed on the Shenzhen Stock Exchange (stock code: 000498).
2013	The Group’s paid-up capital was increased to RMB20 billion The Group won the bid for the Serbia E763 Expressway Project, which has a total length of 50.2km and a contract amount of RMB2.2 billion. This is the first highway in Serbia constructed by a PRC enterprise.
2014	Shandong Government, led by SD Railway Construction, formed a project legal entity to build the Qingdao-Jinan Railway, which is the first railway line in the PRC funded and constructed by a local government.

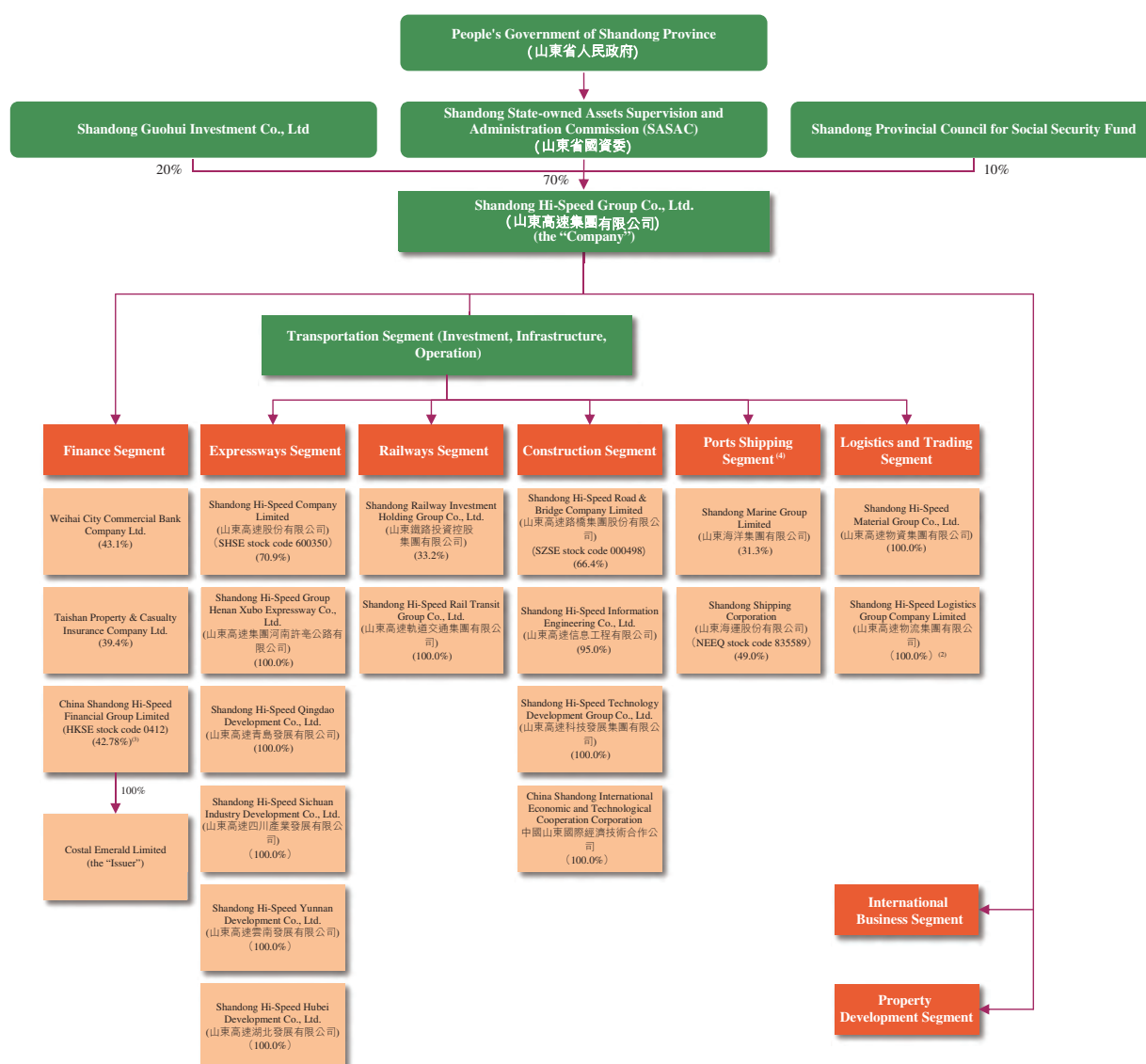
Year	Milestone
2015	The Group successfully acquired 49.99 per cent. of equity interest in France's Toulouse Airport, the fourth and second largest airport in France in terms of passenger and cargo volume respectively, and the first overseas airport acquired by a PRC enterprise.
2016	PRC President Xi Jinping, accompanied by then President Nikolić of Serbia, laid the foundation for the Serbia Chinese Cultural Centre in Serbia invested by the Group. The Group seized the strategic opportunities in the Belt and Road Initiative and actively implemented the “going global” strategy. It mapped out the plan to increase the proportion of its international business to over 35 per cent. during the “13th Five-Year Plan” to reach a new profit growth point. Shandong Provincial government allocated 15 enterprises to the Group.
2017	The Group ranked 146th among the “Top 500 Most Valuable Brands in China” with a brand value of RMB28.4 billion.
2018	The Group's subsidiary, Shandong Bohai Bay Port Company Limited (山東渤海灣港口集團有限公司)(“ SD Bohai Bay Port ”) was established in March 2018.

SD Railway Construction, together with Jiqing Expressway Co., Ltd. (濟青高速鐵路有限公司), Lunan Expressway Co., Ltd. (魯南高速鐵路有限公司) and Shandong Railway Development Fund Company (山東鐵路發展基金公司), was reorganised to Shandong Railway Investment Holding Group Co., Ltd. (山東鐵路投資控股集團有限公司)(“**Shandong Railway Investment**”).

Pursuant to the Notice of SSASAC and Shandong Provincial Council for Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《山東省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈山東高速集團有限公司章程〉的通知》) published by the Shandong Government, Shandong Guohui Investment Co., Ltd and Shandong Provincial Council for Social Security Fund became minority shareholders of the Company, holding 20 per cent. and 10 per cent. of the equity interest in the Company, respectively.

Corporate Structure

The following chart summarises the corporate structure of the Group as at 31 December 2018⁽¹⁾:



Notes:

- (1) This chart includes only significant subsidiaries within the Group with respect to each business segment.
- (2) As at 31 December 2018, Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) held 100 per cent. of equity interest in Shandong Hi-Speed Logistics Group Co., Ltd. (山東高速物流集團有限公司), among which 25 per cent. was indirectly held through Shandong Hi-Speed Company Limited.
- (3) As at 31 December 2018, Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) indirectly held 42.78 per cent. of equity interest in China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), among which 22.33 per cent. was held through Shandong Hi-Speed (Hong Kong) International Capital Limited (山東高速(香港)國際資本有限公司) and 20.45 per cent. was held through Shandong International (Hong Kong) Limited (山東國際(香港)有限公司).
- (4) The Group's port and shipping logistics related services is also conducted by Shandong Bohai Bay Port Group Co., Ltd. Since 1 July 2019, Shandong Shipping Corporation and Shandong Marine Group Limited are no longer consolidated subsidiaries of the Group

Business Segments

Expressway

Overview

The Group is primarily engaged in the investment in, and operation and management of, roads, expressways, bridges, tunnels in Shandong, Sichuan, Henan, Yunnan, Hunan and Hubei provinces. As at 31 December 2018, the Group operated 29 expressways with a total length of approximately 2,765 kilometres, of which 1,750 kilometres are in Shandong province; it ranked first in the PRC's expressway industry in terms of the length of expressways in its operation. The length of the expressways under the Group's construction was approximately 746 kilometres as at 31 December 2018. The majority of the Group's expressways are managed and operated by SHCL, a subsidiary of the Group which is listed on the Shanghai Stock Exchange (stock code: 600350).

In addition, the Group is also engaged in providing ancillary services in relation to the operation of expressways, such as the management and operation of designated areas for fuelling, dining and accommodation services. The construction and development of its roads, expressways, bridges and tunnels are conducted under the construction business segment. For details, please see "*Construction*" below.

For the years ended 31 December 2016, 2017, 2018, the Group's operating revenue generated from its expressway business amounted to approximately RMB10.8 billion, RMB12.1 billion and RMB14.4 billion, respectively. For the year ended 31 December 2018, the revenue generated by the Group's expressway business represented 20.4 per cent. of the Group's total operating revenue for the same period. As at 31 December 2016, 2017 and 2018, the Group's expressway business had total assets of approximately RMB128.3 billion, RMB146.8 billion and RMB156.9 billion, respectively.

Description of the Expressways

The following table sets out certain information in relation to the Group's expressway projects for the periods indicated:

	Interest held by the Group	Operation period	Length (approximate km)	2018 (Vehicle)	Change as compared to 2017	2017 (Vehicle)	Change as compared to 2016	2016 (Vehicle)
Expressways and toll roads ⁽¹⁾:								
Shandong province								
Jinan-Qingdao Expressway	100%	1999 – 2029	318.30	25,676,247	-29.91%	36,635,675	-0.17%	36,699,148
Jinan-Laiwu Expressway	100%	2007 – 2034	76.30	9,766,386	24.88%	7,820,641	20.68%	6,480,236
Weifang-Laiyang Expressway	100%	1999 – 2024	140.64	6,309,049	0.41%	6,283,112	13.55%	5,533,206
Weihai-Rushan Expressway	100%	2007 – 2032	79.60	5,938,128	5.25%	5,641,741	12.20%	5,028,240
Beijing-Fuzhou Expressway ⁽²⁾	-	-	388.84	46,917,290	-6.41%	50,128,355	7.62%	46,578,076
(i) Jiqing connecting line	100%	1999 – 2024	17.00	-	-	-	-	-
(ii) Dezhou-Qihe section	100%	1997 – 2022	91.28	-	-	-	-	-
(iii) Jinan-Qihe section	100%	1999 – 2024	39.47	-	-	-	-	-
(iv) Jinan-Tai'an section	100%	1999 – 2024	60.61	-	-	-	-	-
(v) Tai'an-Zaozhuang section	100%	2000 – 2025	189.48	-	-	-	-	-
Heze-Guanzhou Expressway	100%	2007 – 2032	61.55	6,040,167	16.89%	5,167,439	14.61%	4,508,526
Northern Bypass around Jinan	100%	2008 – 2033	62.68	5,025,243	25.07%	4,017,854	32.10%	3,041,601
Qingdao-Yinchuan Expressway Qihe-Xiajin section	100%	2005 – 2030	87.60	5,867,961	17.83%	4,979,922	7.29%	4,641,374
Tai'an-Qufu Class I Road	100%	1999 – 2025	64.10	1,268,827	-40.29%	2,124,982	118.11%	974,277
Jiaozhou Bay Expressway	100%	2011 – 2035	50.43	41,543,932	13.17%	36,708,341	10.80%	33,130,429
Juanhe Expressway ⁽³⁾	100%	2010 – 2040	44.65	2,038,473	37.89%	1,478,290	22.42%	1,207,537
Linyi-Zaozhuang Expressway	100%	2012 – 2037	88.63	5,243,793	15.03%	4,558,746	31.99%	3,453,807
Yantai-Haiyang Expressway	100%	2012 – 2037	80.27	3,102,293	9.27%	2,839,076	10.76%	2,563,352
Beilai Expressway	100%	2007 – 2032	68.15	1,627,059	1.62%	1,601,094	41.30%	1,133,138
Weiri Expressway ⁽⁴⁾	51%	2018 – 2043	151.87	1,835,372	N/A	N/A	N/A	N/A
Longqing Expressway	100%	2018 – 2043	66.73	184,192	N/A	N/A	N/A	N/A
Sichuan province								
Leshan-Yibin Expressway	100%	2010 – 2040	137.78	13,109,817	12.15%	11,689,023	14.19%	10,236,695
Leshan-Zigong Expressway	100%	2014 – 2044	113.20	11,954,743	23.15%	9,707,164	33.54%	7,269,315
Jijia Expressway	100%	2018 – 2038	20.56	1,075,173	N/A	N/A	N/A	N/A
Henan province								
Xuchang-Yuzhou Expressway	100%	2007 – 2036	39.50	3,993,976	7.68%	3,709,091	41.55%	2,620,285
Xuchang-Bozhou Expressway	100%	2007 – 2037	117.66	4,916,422	8.99%	4,510,876	16.62%	3,868,034
Yunnan province								
Suolongsi Mengzi Expressway	100%	2013 – 2043	78.76	3,459,972	-10.95%	3,885,428	1.65%	3,822,330
Jishi Tongjian Expressway	100%	2004 – 2024	158.16	8,913,477	-7.47%	9,633,205	10.03%	8,755,242
Yangji Expressway ⁽⁵⁾	100%	2016 – 2046	17.78	642,960	7.91%	595,809	205.11%	195,275
Kunming Airport Expressway	70%	2012 – 2042	14.89	34,022,371	-6.53%	36,397,345	1.44%	35,882,139
Hunan province								
Hengshao Expressway	70%	2010 – 2040	138.61	3,196,353	19.65%	2,671,519	5.49%	2,532,397
Hubei								
Wujing Expressway	60%	2010 – 2040	185.34	7,023,216	-6.62%	7,521,403	16.49%	6,456,880
Bridges:								
Shandong province								
Qingdao Jiaozhou Bay Bridge	100%	2011 – 2035	28.88	13,641,010	9.98%	12,403,503	16.70%	10,628,265
Jinan-Yellow River Bridge	100%	1999 – 2017	2.02	N/A	N/A	8,746,034	545.50%	1,354,933
Binzhou-Yellow River Bridge	100%	1999 – 2017	2.93	N/A	N/A	5,720,166	608.10%	807,814
Pingyin-Yellow River Bridge	100%	1999 – 2017	1.01	N/A	N/A	482,874	-88.84%	4,327,719
Jinan-Yellow River No.2 Bridge ⁽⁶⁾	100%	2002 – 2032	5.75	N/A	N/A	N/A	N/A	N/A
Lijin-Yellow River Bridge	100%	2001 – 2029	3.17	798,670	25.63%	635,727	-89.82%	6,244,775
Total				275,132,572		288,294,435		259,975,045

Notes:

- (1) The following expressway projects are under construction: reconstruction and expansion of Jinan-Qingdao Expressway, Tai'an to Dong'e section of Qinglan Expressway, eastward extension of Zaomu Expressway, Gaoqing to Guangrao section of Changshen Expressway, reconstruction and expansion of Dezhou to Qihe section of Beijing-Taipei Expressway, and reconstruction and expansion of Tai'an to Zaozhuang section of Beijing-Taipei Expressway.
- (2) Juanhe Expressway commenced operations in 2016.
- (3) Weiri Expressway commenced operations in 2017.
- (4) Yangji Expressway (Yunnan province) commenced operations in 2016.
- (5) Traffic volume of Jinan-Yellow River No. 2 Bridge has been merged with the traffic volume of Jinan-Yellow River Bridge.

Key expressways

The key expressways which the Group operates include the Jinan-Qingdao Expressway (濟青高速) and the Shandong section of the Beijing-Fuzhou Expressway (京福高速山東段). In 2018, the Group collected 40.8 per cent. of its total toll revenue from these two expressways. Both of these expressways are managed and operated by the Group's listed subsidiary, SHCL. The Group's other expressways are also managed and operated by other subsidiaries of the Group.

SHCL is the primary entity responsible for the investment in, and management and maintenance of the Group's major expressways, bridges and tunnels. It is also engaged in road administration, rescue and bush clearing. SHCL was established in 1999 and was subsequently listed on the Shanghai Stock Exchange (stock code: 600350) in March 2002. As at 31 December 2018, SHCL was the largest listed company in terms of total length of expressways in operation in the PRC. SHCL has successively become a constituent of the "SSE 180 Index", the "CSI 300 Index" and the "Shanghai Stock Exchange Corporate Governance Index". In addition, SHCL has been selected as one of China's Top 100 companies listed on the main board and the first transport infrastructure enterprise in the PRC that has been awarded the National Quality Award.

As at 31 December 2018, SHCL had operated and managed approximately 1,243 kilometres of expressways. Details of the key expressways operated and managed by SHCL are set out below:

- ***Jinan-Qingdao Expressway (濟青高速):*** the Jinan-Qingdao Expressway is the first and the most important expressway in Shandong province, connecting Jinan city and Qingdao city. The Jinan-Qingdao Expressway starts from Jinan, the provincial capital of Shandong province and passes through five cities (namely Jinan, Zibo, Binzhou, Weifang and Qingdao) and 17 counties, and reaches Xiyuanzhuang in the east Qingdao city. It runs through Shandong peninsula, links five national highways and 15 provincial arterial expressways, and connects Shengli Oilfield, the second largest oilfield in the PRC, and Dongying city, an emerging industrial city. It is an expressway that passes through Shandong's "industrial corridor" and is an important channel linking the eastern coastal areas with inland regions of Shandong province. The Jinan-Qingdao Expressway spans 318.3 kilometres and has a fully enclosed design with two-way traffic and four lanes. Construction of the Jinan-Qingdao Expressway began in 1990 and was completed and opened to traffic in 1993. The Jinan-Qingdao Expressway is a significant expressway in Shandong province.
- ***Shandong section of the Beijing-Fuzhou Expressway (京福高速山東段):*** the Shandong section of the Beijing-Fuzhou Expressway consists of: the Jiqing connecting line, which spans approximately 17.0 km and was open to traffic in 1999; the Dezhou-Qihe section, which spans approximately 91.28 km and was open to traffic in November 1997; the Jinan-Qihe section with a total length of approximately 39.47 kilometres and was open to traffic in 1999; the Jinan-Tai'an section, which spans 60.61 kilometres in length and was open to traffic by the end of 1999; and the Tai'an-Zaozhuang section with a length of 189.48 kilometres, which was open to traffic in 2000.

In addition to the key expressways listed above, SHCL is also responsible for operating and/or managing the following expressways:

- Weifang-Laiyang Expressway (濰萊高速);
- Qingdao-Yinchuan Expressway (including the Northern Line around Jinan and Qihe-Xiajin section) (青銀高速包括濟南繞城北線和齊河至夏津段);
- Jinan-Laiwu Expressway (濟萊高速);
- Heze-Guanzhuang Expressway (荷關高速);
- Weihai-Rushan Expressway (威乳高速);
- Juanhe Expressway (鄆荷高速);
- Yantai-Haiyang Expressway (煙海高速);
- Beilai Expressway (北萊高速);

- Linyi-Zaozhuang Expressway (臨沂-棗莊高速);
- Tai'an-Qufu Class 1 Road (泰安-曲阜一級公路);
- Xuchang-Yuzhou Expressway (Henan)(河南許禹高速);
- Xuchang-Bozhou Expressway (Henan)(河南許亳高速);
- Hengshao Expressway (Hunan)(湖南衡邵路); and

Jinan, Jinan No. 2, Lijin, Binzhou and Pingyin Yellow River Bridges (濟南黃河大橋、濟南黃河二橋、利津黃河大橋、濱州黃河大橋、平陰黃河大橋). In addition to the operation and management of expressways and bridges, SHCL also engages in oil and gas services, property development, environmental protection and negotiable securities.

As at 31 December 2016, 2017 and 2018, SHCL's total assets amounted to approximately RMB45.4 billion, RMB59.8 billion and RMB68.6 billion, respectively, and its total operating revenue amounted to approximately RMB8.5 billion, RMB8.1 billion and RMB6.8 billion, respectively, for the years ended 31 December 2016, 2017, 2018, respectively.

Qingdao Jiaozhou Bay Bridge (青島膠州灣大橋)

One of the Group's key expressways and bridges is the Qingdao Jiaozhou Bay Bridge which was the world's longest bridge over water at the time of completion. The Qingdao Jiaozhou Bay Bridge (including the connecting roads) spans approximately 28.9 kilometres and connects the eastern coastal city of Qingdao to the suburbs of Huangdao and Hongdao. The Group appointed Shandong Hi-Speed Qingdao Development Co., Ltd (山東高速青島發展有限公司)("SDHS Qingdao") to operate and manage the Qingdao Jiaozhou Bay Bridge for a period of 25 years commencing from June 2011. The bridge is also the starting point of a national expressway from Qingdao to Lanzhou in Gansu province. Over the 25 years of concession period, the Qingdao Jiaozhou Bay Bridge is linked to the Jiaozhou Bay Expressway. SDHS Qingdao has also been granted the toll collection right for Jiaozhou Bay Expressway, as well as the advertising operation right and tourism development and operation right for both the Qingdao Jiaozhou Bay Bridge and Jiaozhou Bay Expressway. After the expiry of the 25-year concession period, the ownership and management rights in the bridge will be transferred to the Qingdao municipal government.

As at 31 December 2016, 2017 and 2018, SDHS Qingdao's total assets amounted to approximately RMB11.0 billion, RMB12.0 billion, RMB10.8 billion, respectively, and its total revenue amounted to RMB1.1 billion, RMB0.7 billion and RMB0.9 billion, respectively, for the years ended 31 December 2016, 2017, 2018.

Other key expressways outside Shandong province

- **Leshan-Zigong Expressway (Sichuan province):** The Leshan-Zigong Expressway is an integral part of the roads connecting Hangyuan and Zigong, spanning approximately 113.0 kilometres. The Leshan-Zigong Expressway has a width of 24.0 metres in a two-way four-lane design. The expressway is managed by the Group's subsidiary, Shandong Hi-Speed Group Sichuan Lezi Expressways Co., Ltd (山東高速集團四川樂自公路有限公司), which was established in 2010 when the Group won the tender for the expressway. As at 30 June 2019, the main road of the Leshan-Zigong Expressway had been in operation and the collection of vehicle tolls on the main road had commenced; the bypass of the expressway had also been in operation but the collection of vehicle tolls on the bypass had not commenced.

- ***Leshan-Yibin Expressway (Sichuan province)***: the Leshan-Yibin Expressway spans approximately 138.0 kilometres. It was completed in 2010 with a total investment amount of RMB6.0 billion. The expressway is operated by the Group's subsidiary, Shandong Hi-Speed Group Sichuan Leyi Expressways Co., Ltd (山東高速集團四川樂宜公路有限公司), which was established in 2005.
- ***Xuchang-Bozhou Expressway (Henan province)***: the Xuchang-Bozhou Expressway spans approximately 118.0 kilometres with a total investment amount of RMB4.0 billion upon completion. It was put into operation at the end of 2007 with a toll collection period of 30 years. On 28 December 2011, the enjoining section in Anhui to the Henan Xuchang-Bozhou Expressway also commenced operation. The expressway is operated by the Group's subsidiary, Shandong Hi-Speed Henan Xubo Expressways Co., Ltd (山東高速集團河南許亳公路有限公司), which was established in 2006.
- ***Wujing Expressway (Hubei province)***: the Wujing Expressway, which was constructed in the Build-Operate-Transfer model (BOT), spans approximately 183.2 kilometres with a total investment amount of approximately RMB9.7 billion upon completion. It was put into operation in May 2010 with a toll collection period of 30 years. The expressway was built by the Group's subsidiary, Hubei Wujing Expressway Development Co., Ltd (武荊高速公路發展有限公司), which was established in 2003.
- ***Suolongsi Mengzi Expressway (Yunnan province)***: the Suolongsi Mengzi Expressway spans approximately 78.8 kilometres with a total investment amount of approximately RMB4.2 billion upon completion. It was put into operation in 2013, with a toll collection period of 30 years. The expressway is an arterial expressway that links Yunnan with Vietnam and is operated by the Group's subsidiary, Yunan Suomeng Expressway Co., Ltd (雲南鎖蒙高速公路有限公司), which was established in 2008.
- ***Kunming Airport Expressway (Yunnan province)***: the Kunming Airport Expressway spans approximately 14.8 kilometres with a total investment amount of approximately RMB2.5 billion upon completion. It was put into operation in 2012, with a toll collection period of 30 years. The expressway passes through Panlong District, Guandu District and ends at the Kunming Changshui International Airport Terminal. It is operated by the Group's subsidiary, Kunming Airport Expressway Construction and Development Co., Ltd (昆明機場高速公路建設發展有限公司), which was established in 2007.

Ancillary expressway services

The Group is also engaged in providing ancillary services in relation to the operation of expressway, such as the management and operation of designated service areas where services for refuelling, dining, parking, wholesale and retailing and accommodation are provided, as well as the advertising operations along the Group's expressways. This business is conducted through the Group's wholly-owned subsidiary, Shandong Expressway Service Area Management Co., Ltd (山東高速服務區管理有限公司) ("SD Expressway Service"), which had a registered capital of RMB690.0 million as at 31 December 2018. As at 31 December 2018, SD Expressway Service had 20 branch offices in management of 44 service areas across 12 expressways, including the Beijing-Fuzhou Expressway and Qingdao-Yinchuan Expressway, and various property management companies. It is in charge of the advertising business across all expressways owned by the Group.

As at 31 December 2016, 2017 and 2018, SD Expressway Service's total assets amounted to RMB1.8 billion, RMB1.8 billion and RMB2.5 billion, respectively. Its total revenue amounted to RMB1.9 billion, RMB1.8 billion and RMB2.0 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Railway

In terms of railways, the Group is primarily engaged in the investment in, and construction and operation of railways and rail transit infrastructure in Shandong province and other regions of the PRC. The Group is the only railway investment and operation platform of Shandong Government. The railway business serves as a complement to the Group's expressway business and is an important part of the Group's integrated transport infrastructure network. The Group's railway business originated from Shandong Local Railway Bureau (the "**Bureau**"). Hence, the Group has received substantial governmental support over the years in undertaking construction projects. It is actively participating in the investment in, and construction and management of railway projects in the PRC on behalf of Shandong Government.

The Group's railway business is conducted through two key subsidiaries, Shandong Railway Investment and Shandong Hi-Speed Rail Transit Group Co., Ltd (山東高速軌道交通集團有限公司) ("**SDHS Rail Transit**"), Shandong Railway Investment engages in the development, management and operation of railways in Shandong province and other regions that are part of the PRC railway network. SDHS Rail Transit engages in the investment in, and construction and operation of, regional and urban light and inter-city rail transit infrastructure in Shandong province.

Major railways networks across Shandong province

The Group's railway business has developed rapidly over the past ten years. As at 31 December 2018, the total length of the railways constructed by the Group was approximately 308 kilometres and the total length of the railways under the Group's construction was approximately 392 kilometres in Shandong province. As at 31 December 2018, the Group, on behalf of Shandong Government, had invested in approximately 802 kilometres of railway in Shandong province with a total investment amount of approximately RMB135.0 billion in new and renewal works. Shandong Railway Investment is authorised by Shandong Government to cooperate with the Ministry of Railways of the PRC in the investment in, and construction and management of railways projects in the PRC.

For the years ended 31 December 2016, 2017 and 2018, the Group's operating revenue generated from its railway business amounted to RMB2.2 billion, RMB2.9 billion and RMB3.1 billion, respectively. The Group's railway business had total assets of RMB73.4 billion, RMB102.7 billion and RMB127.0 billion, respectively, as at 31 December 2016, 2017 and 2018. For the year ended 31 December 2018, the operating revenue generated by the Group's railway business represented 4.4 per cent. of the Group's total operating revenue for the same period.

The Group's railway business is mainly conducted through Shandong Railway Investment, which is involved in the development of the following key railway networks:

- Beijing-Shanghai high-speed railway (Shandong section)(京滬高鐵山東段);
- Huanghua-Dajiawa railway (黃驊至大港);
- Dezhou-Dajiawa railway (德州至大港);
- Longkou-Yantai railway (龍口至煙臺);
- Qingdao-Rongcheng intercity railway (青島至榮成城際);
- Shijiazhuang-Jinan railway (石家莊至濟南客運專線);
- Qingdao-Rizhao-Lianyungang railway (青島至日照到連雲港); and
- Shanxi central and southern regions railways (山西中南部鐵路).

As at 31 December 2016, 2017 and 2018, Shandong Railway Investment's total assets amounted to RMB68.4 billion, RMB96.4 billion and RMB127.2 billion, respectively. For the years ended 31 December 2017 and 2018, Shandong Railway Investment's operating revenue amounted to RMB0.4 million and RMB136.2 million, respectively. It did not generate any revenue for the year ended 31 December 2016.

Urban light and inter-city rail transportation

In April 2008, the Bureau was restructured and became a wholly-owned subsidiary of the Group. Subsequently in August 2009, the Bureau was reorganised as SDHS Rail Transit, which laid a solid foundation for the Group to extend its railways business into the urban light and inter-city rail transportation areas.

Through SDHS Rail Transit, the Group engages in the investment in, and construction and operation of regional railways, repairing of cargo facilities, maintenance and sales of spare parts of shipping facilities. It is also involved in the construction of regional railroads and operation of railway lines, operation of storage facilities for non-hazardous materials and provision of freight solutions. The railways operated by the Group through SDHS Rail Transit mainly includes:

- the Qingzhou-Dajiaawa railway (青(州)大(家窪)鐵路);
- the Zhaike-Yangkou railway (宅(科)羊(口)鐵路);
- the Pingshang-Lanshan railway (坪(上)嵐(山)鐵路);
- the North Longkou-Longkou Port railway (龍口港進港鐵路(龍口北-龍口港));
- the Dajiaawa-Laizhou-Longkou railway (大(家窪)萊(州)龍(口)鐵路); and
- the Shouguang-Zouping railway (壽(光)(鄒)平鐵路).

As at 31 December 2016, 2017 and 2018, SDHS Rail Transit's total assets amounted to RMB6.3 billion, RMB7.2 billion and RMB7.3 billion, respectively. Its total revenue amounted to RMB3.5 billion, RMB4.5 billion and RMB4.1 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

In addition to the above, the Group is also designated by the local government to operate and manage the Tao-Wei railway (桃威鐵路(桃村-威海)) and the Qing-Lin Railway (青臨鐵路(青州-冶源)). Generally, the toll collected from the operation and management of the railway forms a part of the Group's income sources. However, the toll from the Tao-Wei railway and Qing-Lin Railway is collected by the local government, as the Group was merely appointed to operate the railways on behalf of the local government.

Recent projects

The Group has been actively participating in the construction of railroad infrastructure in Shandong. In 2015, the Group commenced the construction of the Jinan-Qingdao Hi-Speed Railway (濟青高鐵) with an estimated length of approximately 308.0 kilometres and an estimated investment amount of approximately RMB60.0 billion upon completion. Jinan-Qingdao Hi-Speed Railway runs through Shandong Peninsula and connects Jinan, Binzhou, Zibo, Weifang and Qingdao. The railway will form part of the Qingdao-Taiyuan railway line. It is the first national railway mainline project in Shandong province in which Shandong government has a controlling shareholding. It has begun operations in 2018.

In addition, the Group also began construction of the Lunan railway (魯南高鐵) in the third quarter of 2016, with an estimated length of approximately 494.0 kilometres and an estimated investment amount of approximately RMB75.0 billion. It is expected that the Rizhao-Linyi section and the Linyi-Qufu section of the Lunan railway will commence operations by the end of 2019, and the Qufu-Heze Section will commence operation in 2021. The Group has not commenced the construction work of the Hezi-Lankao section of the Lunan railway. The Group believes that the railway will be one of the railway construction projects with the longest length and the largest investment in a single project undertaken by Shandong province.

Construction

The Group engages in the construction of roads, expressways, bridges, tunnels and other related infrastructure. It undertakes foreign economic and technological projects on behalf of the PRC government and provides consulting and subcontracting services relating to the construction of infrastructure. The Group's construction business is one of its core competitive strengths.

For the years ended 31 December 2016, 2017 and 2018, the Group's operating revenue generated from its construction business amounted to RMB10.6 billion, RMB14.6 billion and RMB17.2 billion, respectively. For the year ended 31 December 2018, the operating revenue generated by the Group's construction business represented 24.4 per cent. of the Group's total operating revenue for the same period. As at 31 December 2016, 2017 and 2018, the Group's construction business has total assets of RMB19.9 billion, RMB25.0 billion and RMB42.7 billion, respectively.

Construction of roads, expressways, bridges, tunnels and other related infrastructure

The Group's construction business is primarily conducted through Shandong Road & Bridge, which is principally responsible for the building of roads and bridges, undertaking construction contracts for offshore roads, bridges and tunnels, bidding for construction tenders onshore and offshore, importing and exporting related equipment and materials, and providing training and consulting services to contractors. Through more than seven decades of development since its establishment in 1948, Shandong Road & Bridge has become a well-established construction company, enjoying wide brand recognition in the PRC and overseas. Over the past 70 years, Shandong Road & Bridge has constructed more than 200 expressways at various levels in the PRC and overseas, with a total length of over 5,000 kilometres.

Shandong Road & Bridge was one of the first batch of the 19 enterprises throughout the PRC and the only enterprise in Shandong province that was granted a special grade qualification by the Ministry of Construction of China in 2002 to engage in the construction of general contracted expressways engineering projects. It is qualified to engage in the construction of contracted bridge engineering projects, road surface engineering projects and road foundation engineering projects as well as transportation engineering projects and the handling of safety equipment. It is also qualified to directly contract with other constructors to engage in such engineering projects and has the right to directly tender for foreign contracts in relation to road building and management. As at 31 December 2018, Shandong Road & Bridge held equity interests in approximately 27 subsidiaries and 4 other shareholding and joint-stock companies, which have the qualifications to engage in construction, reconnaissance engineering and equipment manufacturing for roads, bridges, tunnels, transportation engineering projects, harbours, ports and ship locks.

Through Shandong Road & Bridge, the Group has undertaken a number of projects and therefore won various awards, including:

- Qingdao Jiaozhou Bay Bridge, which was the world's longest bridge over water at the time of completion and was ranked by Forbes in September 2011 as one of the "World's Most Incredible Bridges". Qingdao Jiaozhou Bay Bridge won the second prize in the National Technology and Innovation Award in 2011 for the "non-bottom sealing technology in concrete pouring jacket"

technique used in its construction. It also won the 12th National Civil Engineering Zhan Tianyou Prize in 2014, the top civil engineering award in China, and the “George Richardson Award” in 2013, one of the highest international award for bridges;

- Jinan-Yellow River Bridge, which was the cable-stayed road bridge with the longest length in Asia upon completion;
- Dongying Bridge over the Yellow River, the first steel cable-stayed bridge in China;
- Jinan Yellow River No. 2 Bridge over the Yellow River, constructed in the highest design standard with the largest scale;
- Nanjing No. 2 Bridge over the Yangtze River, which was ranked top among cable-stayed bridges in China and third worldwide in terms of span length;
- Lijin Highway Bridge over the Yellow River, which was constructed in the BOT model and the first supersized bridge constructed with public financing;
- “Binzhou-Yellow River Bridge Construction Integrated Technology Research” won National Science and Technology Progress Award Second Prize;
- “Tunnel and Underground Construction Substantial Water Disaster Management Key Technology and Engineering Application” won the National Science and Technology Progress Award Second Prize;
- Jinan Baodaojing Interchange on Southeast 2nd Ring Road;
- the Construction of Binzhou Highway Bridge over the Yellow River and Nanjing No. 3 Bridge over the Yangtze River has been recorded in the book of New Records of Chinese Enterprises attributable to the advanced technologies applied in the construction; and
- the construction of the Leshan-Yibin Expressway won the Quality Engineering Award in a national key infrastructure project construction competition.

In recognition of its excellence, Shandong Road & Bridge had been awarded multiple national awards in China, including:

- on six separate occasions, the China Construction Engineering Luban Prize by the China Construction Industry Association (中國建築業協會) and the Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部);
- on 29 occasions, the provincial and ministerial level scientific and technological awards (省部級科技類獎項);
- on five separate occasions, the Li Chun Award by the Ministry of Transport of the PRC (中華人民共和國交通部);
- on six separate occasions, the Quality Engineering Award by the Ministry of Transport of the PRC (中華人民共和國交通部);
- on eleven separate occasions, the National Gold Award and Silver Award for Quality Engineering Construction by the Committee of the National Engineering Construction Quality Award (國家工程建設質量獎審定委員會);

- on two occasions, the National Prize for Scientific and Technological Progress (國家科學技術獎勵委員會) by an official committee consisting of members from the Ministry of Science and Technology of the PRC (中國科技部), Chinese Academy of Sciences (中國科學院), Chinese Academy of Engineering (中國工程院) and various universities; and
- Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎).

As at 31 December 2016, 2017 and 2018, Shandong Road & Bridge's total assets amounted to RMB15.0 billion, RMB17.6 billion and RMB23.9 billion, respectively. Its total revenue amounted to RMB8.1 billion, RMB12.4 billion and RMB14.8 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

New construction projects signed

In 2018, the Group newly signed 244 new contracts with a total value of RMB23.3 billion, of which, the contract value of the projects within Shandong province amounted to RMB15.1 billion, the contract value of the projects in other provinces in the PRC amounted to RMB7.3 billion, and the contract value of the overseas projects amounted to RMB0.9 billion. Over the years, the Group has expanded its overseas operations to many developing economies such as Nepal, Pakistan, Timor-Leste, Algeria, Angola and Vietnam.

The following table sets out certain information in relation to the contracts the Group signed each year:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
Newly signed contracts			
Number of contracts	308	271	244
Number of contracts in value of above RMB 100 million	29	39	29
Total contract value (RMB in billions)	21.6	23.9	23.3
Contract value of projects within Shandong province (RMB in billions)	16.3	15.6	15.1
Contract value of projects outside Shandong province in the PRC (RMB in billions)	4.3	6.4	7.3
Contract value of projects in overseas (RMB in billions).	1.0	1.9	0.9

Foreign economic and technological projects undertaken on behalf of the PRC government

The Group undertakes foreign projects on behalf of the PRC government through China Shandong International Economic and Technological Cooperation Corporation (中國山東國際經濟技術合作公司) ("CSIETCC"). CSIETCC was established in 1984 with the approval of the State Council of the PRC and is a large state-owned enterprise with qualifications to undertake overseas projects. It has also met the requirements of the ISO 9001 Quality Management System, the OHSAS/18001 Occupational Health and Safety Assessment Series and the ISO 14001 Environmental Management System. CSIETCC became a wholly-owned subsidiary of the Group in 2008.

Since its establishment, CSIETCC has engaged in foreign contracted engineering, labour service export, human resource development and foreign trade and investment. CSIETCC has become increasingly active in the international market and has established approximately 24 affiliate offices in 24 countries capable of undertaking:

- foreign economic and technological aid projects of the PRC government;
- import and export trade;
- foreign governmental loans and domestic governmental purchase;
- overseas investment;

- incorporation of wholly-owned, joint-venture and cooperative enterprises;
- overseas real estate development;
- domestic and overseas project purchasing bidding; and
- exhibition and advertising.

Over the years, CSIETCC has been contracted to build various influential engineering projects related to water conservation, buildings, transportation, municipal administration, petroleum and electrical power, including the construction of the Serbia Expressway, which is a section of the Pan-European corridor in Belgrade, the construction of the Serbia Chinese Cultural Centre, and the acquisition of an expressway in the China-Pakistan Economic Corridor, which links Islamabad, the capital of Pakistan, and Lahore, Pakistan's second largest city.

As at 31 December 2016, 2017 and 2018, CSIETCC's total assets amounted to RMB2.2 billion, RMB3.2 billion and RMB4.6 billion, respectively. Its total revenue amounted to RMB1.4 billion, RMB1.3 billion and RMB1.1 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Ports Shipping

The Group engages in the investment in, and construction and operation of ports and shipping-related business. This business serves as an important platform for the Group to implement China's "Blue Yellow" strategy and build an interconnected multi-transportation system. Through Shandong Marine Group Limited (山東海洋集團有限公司) ("**Shandong Marine**"), previously known as Shandong Ocean Investment Co., Ltd (山東海洋投資有限公司), in which the Group held 31.3 per cent. of equity interest as at 31 December 2018 (being the largest shareholder) the Group invests in maritime engineering and technology in line with the Shandong Peninsula Blue Economic Zone Strategy (山東半島藍色經濟區戰略) promoted by the PRC government and is the first state-owned investment company focusing on developing the PRC's marine economy. Through Shandong Shipping Corporation (山東海運股份有限公司) ("**SD Shipping**") (NEEQ stock code: 835589) and Shandong Bohai Bay Port Group Co., Ltd (山東渤海灣港口集團有限公司), the Group provides port and shipping logistics-related services. Since 1 July 2019, SD Shipping and Shandong Marine are no longer consolidated subsidiaries of the Group.

Investments in maritime engineering and technology

The Shandong Peninsula Blue Economic Zone is one of three regional ocean economic zones designated by the State Council of the PRC on 4 January 2011 as pilot zones for the development of China's marine economy. China has abundant marine resources but the marine economy currently accounts for a very small proportion of China's gross domestic product and is mainly centred on traditional industries, such as fishing, transport and tourism. Accordingly, the PRC government has set out the strategies to utilise the country's marine resources more productively and to give both the land economy and marine economy equal priorities.

The Shandong Peninsula Blue Economic Zone covers all the offshore waters of Shandong province with an area of approximately 159,500 square kilometres. It also covers approximately 64,000 square kilometres of land that includes six cities (namely, Qingdao, Dongying, Yantai, Weifang, Weihai and Rizhao) and two coastal counties in Shandong province. The State Council of the PRC approved the development plan for the economic zone as part of the national development strategy. According to the plan, the Shandong Provincial Government will coordinate the development of its land and marine economies and strengthen exploration, especially in emerging marine industries.

Accordingly, in 2010, the Group invested RMB20.0 billion in the shipping industry in the PRC by establishing Shandong Marine) as one of SSASAC's state-owned enterprises that is primarily responsible for undertaking development work in accordance with the Shandong Peninsula Blue Economic Zone Strategy. For the years ended 31 December 2016, 2017 and 2018, the Group's operating revenue

generated from its ports shipping business amounted to RMB7.0 billion, RMB6.4 billion and RMB7.3 billion, respectively. The Group's ports shipping business had total assets of RMB21.3 billion, RMB25.1 billion and RMB24.1 billion, respectively, for the years ended 31 December 2016, 2017 and 2018. For the year ended 31 December 2018, the operating revenue generated by the Group's ports shipping business represented 10.3 per cent. of the Group's total operating revenue for the same period.

The main businesses of Shandong Marine include managing, operating and investing in shipping transportation and logistics, marine equipment manufacturing, marine engineering and construction, ocean energy and resources, modern fishing technology, marine bio-technology, environmental protection, marine-related tourism, as well as other related investments.

As at 31 December 2016, 2017 and 2018, Shandong Marine's total assets amounted to RMB21.3 billion, RMB25.0 billion and RMB24.1 billion, respectively. Its total operating revenue amounted to RMB7.0 billion, RMB6.4 billion and RMB7.3 billion, respectively, for the years ended 31 December 2016, 2017 and 2018. Since 1 July 2019, Shandong Marine is no longer a consolidated subsidiary of the Group.

Provision of port and shipping logistics related services

The Group's port and shipping logistics-related business is operated through SD Shipping and Shandong Bohai Bay Port Group Co., Ltd (山東渤海灣港口集團有限公司), which are primarily engaged in services including:

- transport, cargo handling and warehousing of cargo for international ships;
- international cargo transport forwarding business;
- supply chain information consultancy and management services;
- import and export of technology;
- ship leasing;
- training of seamen;
- navigation and other technology consultancy and information services;
- investment in traffic infrastructure and ancillary traffic facilities;
- investment in the energy sector; and
- sale of iron ore.

In addition, the Group has invested approximately RMB1.4 billion in the construction of the Port of Weifang, which is strategically located in the prime region of the Bohai Sea economic belt. The construction of the first 50,000-tonnage berth at the Port of Weifang was completed in March 2019 and the berth has been put into trial operation.

As at 31 December 2016, 2017 and 2018, SD Shipping's total assets amounted to, RMB14.4 billion, RMB14.5 billion and RMB14.8 billion, respectively. Its total operating revenue amounted to RMB4.3 billion, RMB5.3 billion and RMB6.2 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Since 1 July 2019, SD Shipping is no longer a consolidated subsidiary of the Group. The Group continues to conduct its port and shipping logistics related services through Shandong Bohai Bay Port Group Co., Ltd. (山東渤海灣港口集團有限公司).

Logistics and Trading

Logistics and trading is a new business developed by the Group and approved by the SSASAC. The Group is committed to the development of the high-end logistics industry.

For the years ended 31 December 2016, 2017 and 2018, the Group's operating revenue generated from its logistics and trading business amounted to RMB25.2 billion, RMB27.5 billion and RMB28.2 billion, respectively. Its logistics and trading business had total assets of RMB10.6 billion, RMB12.9 billion and RMB15.0 billion, respectively, as at 31 December 2016, 2017 and 2018. For the year 31 December 2018, the operating revenue generated by the Group's logistics and trading business represented 40.0 per cent. of the Group's total operating revenue for the same period.

Logistics segment

The Group is engaged in the retail sales, distribution and provision of logistics services for commodities and the provision of logistics services to corporate customers, including logistics parks, ports shipping services, bulk commodities trading, logistics information enquiry, advertising, finance and guarantee services. The Group has built upon the strength of its existing transportation network and utilised its extensive network of expressways, regional railways, ports, logistics parks and related information technology infrastructure to develop and expand its logistics business. By leveraging its existing competitive advantage in infrastructure, the Group seeks to enter into and target the high-end logistics industry featured with a customer-oriented network and platform. Moreover, through merger and acquisitions with other well-established logistics companies, the Group aims to establish itself as a one-stop logistics service provider to serve corporate customers.

The Group operates its logistics business primarily through Shandong Hi-Speed Logistics Group Company Limited (山東高速物流集團有限公司) (“**SDHS Logistics**”) which was established in 2011 with the aim of becoming a leading logistics company in the Shandong logistics industry. The Group's initial investment of RMB5.0 billion was one of the largest in Shandong province and in the PRC with respect to the logistics industry. SDHS Logistics currently operates the following high-end logistics projects:

- **Shandong Hi-speed West Coast Intelligent Logistics Industry Park:** Incorporated in Qingdao in 2015 with a total investment of RMB640.3 million. The first phase of the project includes a highway port distribution area covering an area of about 120 mu, which was put into operation in February 2018. As at 31 December 2018, more than 90 warehouses were leased, with an occupancy rate of about 98 per cent. and more than 40 tenants. There are more than 2,000 different freight vehicles entering the Shandong Hi-speed West Coast Intelligent Logistics Industry Park on a daily basis with a cargo turnover rate exceeding 10,000 tonnes. The main facilities of the Shandong Hi-Speed West Coast Intelligent Logistics Industry Park will include custom warehouses for the storage and distribution of medical supplies, cold storage facilities for the storage of medical supplies, and facilities for the wholesale and retail of medical supplies.
- **Weifang Port Vicinity Logistics Park (Phase I):** Situated on the southern bank of the port area with a total area of 30.09 square kilometres, the Weifang Port Vicinity Logistics Park is designed to accommodate a port service centre, a cold chain transportation base and an industrial processing base. The cold chain transportation base will be capable of packaging approximately 100,000 TEUs, while the industrial processing base will be capable of processing, warehousing and distributing 8 million tonnes of goods per year. The total land area of the project is 120,123 square metres, the total construction area is 144,148 square metres and a total of 14 buildings will be built. The total investment of the project is RMB689.85 million.
- **Lunan High-Tech Logistics Industry Park:** Situated within the Linyi National Hi-Tech Industrial Development Zone, this industry park was established in 2017. It primarily engages in providing comprehensive and integrated logistics services, including warehousing, transportation and supply chain management. The project is under construction.

The Group also operates the China Railway Express (中歐班列) in Shandong province through Shandong Hi-Speed Guochu Logistics Co., Ltd (山東高速國儲物流有限公司). The express is set to transform the logistics industry in Shandong province through the formation of a large logistics circulation network system which integrates the various modes of transportation (including road, rail, land and marine transportation) and centralizes domestic and international sourcing.

As at 31 December 2016, 2017 and 2018, SDHS Logistics' total assets amounted to RMB3.3 billion, RMB4.3 billion and RMB4.9 billion, respectively. Its total operating revenue amounted to RMB4.4 billion, RMB4.9 billion and RMB2.7 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Trading segment

The Group's trading business mainly consists of sales of oil, foodstuff, coal, asphalt and other building materials, and railway concrete sleepers, which is conducted by its subsidiaries Shandong Hi-Speed Singapore Pte Ltd (山東高速(新加坡)有限公司)("SDHS Singapore"), Shandong Hi-speed Material Group Co., Ltd (山東高速物資集團有限公司)("SDHS Materials") and SDHS Rail Transit.

The following table sets forth a breakdown of the total sales revenue generated from the sale by product for the periods indicated:

	For the year ended 31 December		
	2016	2017	2018
	(RMB in billion)		
Product			
Oil products	9.8	14.2	7.9
Foodstuff	1.2	0.3	–
Coal	1.2	1.2	0.8
Building materials	1.6	3.5	4.6
Railway concrete sleepers	0.2	0.7	0.8
Others	12.7	7.5	14.4
Total	26.7	27.4	28.5

The Group purchases its oil from a variety of suppliers including, PetroChina Company Limited (中石油集團), China National Offshore Oil Corporation (中國海洋石油總公司), Haian Guoli Chemical Co., Ltd (海安縣國力化工有限公司). Oil purchased is then distributed by the Group to (i) the gas station service areas along expressways owned by the Group's subsidiary, SD Expressway Service; and (ii) other trading companies through SDHS Materials and SDHS Singapore.

In addition, the Group conducts its sale of asphalt, wood, steel and other building materials mainly through SDHS Materials, which is a consolidated material entity responsible for conducting scientific research, mining, production, operations and service of minerals and land supply. It is also responsible for supplying the construction materials used in the Group's expressways, including but not limited to, the Jinan-Qingdao Expressway, Qingdao Jiaozhou Bay Bridge and Beijing Shanghai Expressway. As part of its manufacturing business, SDHS Materials also operates:

- a bulk asphalt storage warehouse with a capacity of 100,000 tons;
- a steel reservation warehouse with a capacity of 30,000 tons;
- a specialised transportation fleet for asphalt and steel; and
- nine production lines for SBS (Styrene Butadiene Styrene) modified asphalt in and out of Shandong province and abroad.

As at 31 December 2016, 2017 and 2018, SDHS Materials' total assets amounted to RMB3.5 billion, RMB4.0 billion and RMB3.7 billion, respectively. Its total revenue amounted to RMB4.0 billion, RMB5.2 billion and RMB6.6 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

As at 31 December 2016, 2017 and 2018, SDHS Singapore's total assets amounted to RMB297.1 million, RMB484.1 million and RMB580.9 million, respectively, and its total revenue amounted to RMB12.2 billion, RMB12.5 billion and RMB13.0 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Financial Investment

The Group has established a multi-channel financing platform to develop the Group's financial services and other businesses. The Group's financial investment business segment primarily consists of:

- the banking business conducted through Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) (“**WCC Bank**”);
- the insurance business conducted through the Group's investment in Taishan Insurance (泰山財產保險股份有限公司) (“**Taishan Insurance**”);
- equity investments, management and operations through Shandong Hi-Speed Investment Holdings Company Limited (山東高速投資控股有限公司) (“**SDHS Investments**”); and
- other investment activities in industry investment funds, private equity funds, securities and trusts.

In order to expand its financial investment business, the Group plans to implement a two-wheel development mechanism and focus on the joint development of international trade and finance.

WCC Bank

WCC Bank is a city commercial bank in Weihai, Shandong province, in which the Group held 43.1 per cent. of equity interest as at 31 December 2018. WCC Bank was established on 21 July 1997 and as at 31 December 2018, had approximately 116 branches in various cities in the PRC, including Jinan, Tianjin and Qingdao, and approximately 2,962 employees. On 12 December 2007, with the approval of the China Banking Regulatory Commission, WCC Bank established its first branch in Jinan, Shandong province, becoming the first PRC city commercial bank with a branch in another PRC provincial capital city. WCC Bank is one of the large enterprise-owned banks managed by a provincial State-owned Assets Supervision and Administration Commission in the PRC.

WCC Bank's business includes deposit, provision of loans, domestic settlements, issuing, underwriting and trading of PRC government bonds, interbank lending, guarantees and paying agent and insurance agent services.

Since its establishment, WCC Bank has adopted a strategy of serving the local economy including small and medium-sized enterprises, local citizens and Shandong's transportation industry. In line with these strategies, WCC Bank has recently focused on providing specialised support for small and medium enterprises in the high-tech industry, which has enabled it to not only foster growth in the local economy, but also tap into the fast-growing high-tech industry. In recent years, WCC Bank has also expanded its operations in international markets by engaging in cross-border remittance, foreign currency loans and trade financing. WCC Bank won various awards and recognitions over the past years, including the Chinese Financial Institutions Golden Dragon Award, Best Chinese Specialty Bank, Best Chinese Retail Bank, Best Chinese SME Financial Service Institution, Shandong Quality Award, Shandong Outstanding Innovative Management Enterprise. WCC Bank also won the “Best Small and Medium Enterprise Providing Financial Services” by the Financial Times at the “2014 Chinese Financial Institutions Gold Medal Golden Dragon Award”, recognised as the “Best Chinese City

Commercial Bank” in 2016, “Top 10 City Commercial Banks” in 2017 and as one of the small banking institutions with the highest growth potential by the China Institute of Finance and China Financial Network.

WCC Bank is continually expanding its corporate banking, retail banking, small enterprises banking, international businesses and financial market businesses and may from time to time explore any appropriate public listing opportunities.

As at 31 December 2016, 2017 and 2018, WCC Bank’s total assets amounted to RMB186.3 billion, RMB204.5 billion and RMB203.3 billion, respectively. Its total operating revenue amounted to RMB7.2 billion, RMB8.7 billion and RMB9.3 billion, respectively, for the years ended 31 December 2016, 2017 and 2018.

Taishan Insurance

The Group held 39.4 per cent. of equity interest in Taishan Insurance as at 31 December 2018. Taishan Insurance was set up by 16 provincial state-owned enterprises in 2011 and its business primarily includes property insurance, liability insurance, statutory liability insurance, credit insurance, guarantee insurance, agriculture insurance, short-term health insurance, accident and injury insurance and reinsurance services.

As at 31 December 2016, 2017 and 2018, Taishan Insurance’s total assets amounted to RMB3.7 billion, RMB3.8 billion and RMB4.0 billion, respectively. Its total operating revenue amounted to RMB1.2 billion, RMB1.8 billion and RMB1.7 billion, respectively, for the years ended 2016, 2017 and 2018.

SDHS Investments

As one of the Group’s key investment entities and platforms, SDHS Investments is primarily engaged in equity investment, equity management and equity operations. As at 31 December 2018, SDHS Investments was the second largest shareholder of Jinan International Airport.

As at 31 December 2016, 2017 and 2018, SDHS Investments’ total assets amounted to RMB5.9 billion, RMB13.9 billion and RMB14.6 billion, respectively and its total operating revenue amounted to RMB41.1 million, RMB75.5 million and RMB168.7 million, respectively, for the years ended 2016, 2017 and 2018.

Industry investment funds and others

The Group has established the first RMB60 billion Shandong provincial railway development fund and has raised RMB27.2 billion as at 31 December 2018. It has also established a Shandong provincial urbanisation fund and raised RMB19.1 billion as at 31 December 2018. In cooperation China Everbright Holding Group (中國光大控股集團), the Group initiated the establishment of the Shandong Hi-Speed Light Industry Investment Fund (山東高速光控產業投資基金) for which it can raise up to RMB30 billion.

Property Development

The Group is engaged in the supply of construction materials, real estate development, city operation and other services. The Group’s property business segment is operated primarily through its subsidiary, Shandong Hi-Speed Real Estate Group Co., Ltd (山東高速地產集團有限公司), which has two wholly-owned subsidiaries (Shandong Hi-Speed Real Estate Development Co., Ltd (山東高速置業發展有限公司) and Shandong Hi-Speed Marine Real Estate Development Co., Ltd (山東高速海陽置業有限公司)), two holding companies (Shandong Hi-Speed Greentown Real Estate Investment Co., Ltd (山東高速綠城置業投資有限公司) and Shandong Hi-Speed Urban Construction Investment Co., Ltd (山東高速城市建設投資有限公司)), and three joint stock companies (Shandong Hi-Speed Credit Industry City

Development Equity Capital Management Co., Ltd (山東高速信業城市發展股權資金管理有限公司), Inner Mongolia Road & Bridge Real Estate Co., Ltd (內蒙古魯橋置業有限公司) and Jiana Real Estate Company (加納房地產公司)).

The Group has property development projects in Binzhou, Qingdao, Weifang, Dongying, Tengzhou and Haiyang. For the year 31 December 2016, 2017 and 2018, the Group's operating revenue generated from its property development business amounted to RMB2.9 billion, RMB2.3 billion and RMB2.0 billion, respectively, and the Group's property development business has total assets of RMB23.0 billion, RMB34.1 billion and RMB27.6 billion, respectively, as at 31 December 2016, 2017 and 2018.

As at 31 December 2018, the Group's main property development projects include the following:

Project name	Construction period	Designated use	Investment as at 31 December 2018 (RMB in million)	Total GFA (s. m.)	Sold GFA as at 31 December 2018 (s. m.)	Contracted sales as at 31 December 2018 (RMB in million)
Dongying Dream City (東營理想之城)	11 years	Residential	7,235.1	1,530,675.0	852,098.0	4,512.0
Changqinglan Garden (長清蘭園項目)	8 years	Residential and commercial	993.2	360,036.0	360,036.0	1,226.1
Tengzhou Xiangshe Shuijun (滕州香舍水郡)	5 years	Residential	1,210.9	221,532.1	221,532.1	1,260.6
Haiyang Azure Coast (海陽蔚藍海岸)	5 years	Residential and commercial	918.5	171,585.1	171,585.1	734.0
West Coast Centre (西海岸中心)	4.5 years	Commercial, office building and apartment	1,930.8	246,042.0	246,042.0	1,332.7
Binzhou Real Estate (濱州置業)	4 years	Residential	156.8	227,429.3	—	—
Total			12,445.3	2,757,299.5	1,851,293.2	9,065.4

Foreign engineering, building construction and labour projects

Through its wholly-owned subsidiary, Shandong Hi-Speed Qilu Construction Group (山東高速齊魯建設集團公司) (“SDHS Qilu”), the Group is also engaged in foreign engineering and consultancy services, building construction and labour projects abroad for the Group's property development business segment.

SDHS Qilu has trained and nurtured a number of senior technical and management personnel experienced in design, construction and trading. With strong financial support, quality personnel and sound technical capabilities, SDHS Qilu is able to perform a variety of engineering contracts and conduct real estate developments and commercial trades. Since its establishment in 1992, SDHS Qilu has continuously developed its business within the PRC and abroad. For the nine months ended 30 September 2018, it has generated approximately RMB437.3 million in revenue and completed approximately 1,619,492.3 square metres of construction projects.

As at 31 December 2016, 2017 and 2018, SDHS Qilu's total assets amounted to RMB0.7 billion, RMB0.7 billion and RMB1.0 billion, respectively, and its total operating revenue amounted to RMB0.1 billion, RMB0.1 billion and RMB0.6 billion, respectively, for the years ended 2016, 2017 and 2018.

Environmental Matters

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Group's knowledge (after due and careful enquiry), is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position.

Employees

As at 31 December 2018, the Group had a total of approximately 26,000 employees. Staff benefits include salaries, provident fund, insurance and medical cover and housing. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees

through continuing education and training, as well as the creation of opportunities for career growth. The Group has not experienced any strikes or disruptions due to labour disputes. The Group considers its relations with its employees to be good.

Staff remunerations of the Group are determined according to the position, qualifications and experience, capabilities and work performance of the staff with reference to market trends.

Insurance

The Group is covered by insurance policies which mainly cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered with adequate insurance provided by independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate.

Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material and adverse effect on the Group's financial condition and results of operations.

Legal, Compliance and Proceedings

Save as disclosed in this Offering Circular, the Group is not aware of itself or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material and adverse effect on the Group's business or financial position as a whole, and to the best knowledge of the Group, there is no litigation or claim against the Group pending or threatened, which may have a material and adverse effect on the Group's business or financial position as a whole.

Recent Developments

Change in the Composition of the Company's Supervisory Committee

On 1 March 2019, the Company announced its change in the composition of the Supervisory Committee. Pursuant to the policy requirements of Shandong Government and the internal arrangement of the Company, Mr. Liu Shugong, Mr. Di Jing, Mr. Li Xianchuo and Mr. Jiang Pengfei has ceased to be the supervisors of the Company. As at the date of this Offering Circular, the Supervisory Committee of the Company comprises the employee supervisor, Mr. Gao Chenggui. Company believes that the change in the composition of the Supervisory Committee will not have a material adverse effect on the Group's business and operations.

Provision of Loans to Subsidiary

On 4 March 2019, the Company announced its proposal to grant a loan in the amount of RMB300 million to Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司) (“**Shandong Luqiao**”), a subsidiary of Shandong Road & Bridge, to support its business development. The loan will bear an interest rate with reference to the benchmark interest rate for bank loans with a term of no more than one year. The proposal has been approved by the Board of Directors of Shandong Road & Bridge on 4 March 2019 and the shareholders' meeting of Shandong Road & Bridge on 19 March 2019.

Investment in Construction Project of Beijing-Taipei Expressway

On 6 March 2019, SHCL announced its proposal to invest in the project of the reconstruction and expansion of the Dezhou-Qihe section of the Beijing-Taipei Expressway (京台高速德齊段改擴建工程項目) (the “**Reconstruction and Expansion Project**”). The total estimated investment amount for this project is approximately RMB12.0 billion, among which 25 per cent. will be self-financed by SHCL and the remaining 75 per cent. will be financed through bank loans and other financing methods. The investment proposal had been approved by the Board of Directors of SHCL on 5 March 2019 and the

shareholders' meeting of SHCL on 22 March 2019. The Group believes that its investment in this project will not only promote the economic development of Shandong province, but also contribute to its growth, through which it is able to enhance its long-term profitability and core competitiveness and achieve sustainable development.

Change of General Manager of the Company

On 18 April 2019, the Company announced that Mr. Zhou Yong, the previous general manager of the Company, has ceased to be the general manager and deputy secretary of the Communist Party Committee of the Company due to his appointment as the chairman and secretary of the Communist Party Committee of Qilu Transportation Development Group Co., Ltd. (齊魯交通發展集團有限公司) in accordance with the arrangement of Shandong Provincial Party Committee (山東省委). The Company believes that such change will not have a material adverse effect on the Group's business and operations. As at the date of this Offering Circular, the Company has not appointed the general manager.

Completion of Enforcement of Judgment on the Lawsuit in relation to Construction Contract Dispute

On 23 April 2019, Shandong Road & Bridge announced that its subsidiary Shandong Luqiao has completed its enforcement of judgment on its lawsuit against Guangzhou Shengzhou Investment Co., Ltd. (廣州勝洲投資有限公司) (“**Shengzhou Investment**”) and Shandong Wenlai Expressway Co., Ltd. (山東文萊高速公路有限公司) (“**Wenlai Expressway**”) for a construction contract dispute.

Shandong Luqiao entered into a construction contract on 30 April 2015 with Wenlai Expressway, a project company established by Shengzhou Investment to engage in the investment in and construction of the Wendeng-Laiyang Expressway in Shandong province, pursuant to which Shandong Luqiao will contract the construction of the WLS5 section of the Wendeng-Laiyang Expressway. Due to Wenlai Expressway's breach of contract, Shandong Luqiao sued Shengzhou Investment and Wenlai Expressway on 1 April 2017. Ruling was made on 3 April 2018 to order Wenlai Expressway to repay the performance guarantee, security deposit, interest and other losses in a total amount of approximately RMB66.9 million. On 22 September 2018, Shandong Luqiao applied to enforce the court judgement. As at the date of this Offering Circular, Shandong Luqiao has collected the debts in the amount of approximately RMB66.9 million.

Investment in Trust

On 27 April 2019, SHCL announced its proposal to subscribe for the China Resources Trust • BOE Project Collective Fund Trust Plan – Type B (the “**Trust**”) in an aggregate principal amount of RMB500.0 million as a way to optimise its utilisation of funds. The proceeds of the Trust are mainly used to subscribe for the preferred shares of limited partnership of Mianyang Science and Technology City Industrial Development Fund (Limited Partnership) (the “**Mianyang Fund**”). Mianyang Fund primarily engages in equity investment in publicly listed companies and non-publicly traded companies, and relevant consulting services. The investment proposal had been approved by the Board of Directors of SHCL on 26 April 2019.

Co-establishment of Fund

On 18 May 2019, SHCL announced its proposal to co-establish the Jinan Changying Transportation Infrastructure Investment Fund (the “**Transportation Infrastructure Fund**”) with some other companies in a total amount of no more than RMB3.28 billion, among which SHCL will contribute no more than RMB660.0 million to the fund as a limited partner. The Transportation Infrastructure Fund will mainly invest in key construction projects in relation to expressways, transport infrastructure, and upgrading of traditional industries and cultivation of emerging industries in Shandong province, as well as premium projects in relation to port, bridge and airport in the PRC. The Group believes that the investment will allow the Group to allocate its funds rationally, optimise its utilisation of funds, and improve its profitability and market competitiveness. The proposed investment had been approved by the Board of Directors on 17 May 2019.

Signing of Significant Contracts

On 17 June 2019, Shandong Road & Bridge announced that its subsidiary Shandong Luqiao has signed a construction contract in the value of approximately RMB2.4 billion to contract the fourth bid section of the project in relation to the reconstruction and expansion of Tai'an-Zaozhuang section of Beijing-Taipei Expressway; and its subsidiary Shandong Luqiao Construction Co., Ltd. (山東魯橋建設有限公司) has signed a construction contract in the value of approximately RMB3.9 billion to contract the fifth bid section of the aforesaid project. The Group believes that its undertaking of the construction project will contribute to its overall business growth if the project goes well.

On 5 July 2019, Shandong Road & Bridge announced that its subsidiary Shandong Luqiao has won the bid as the contractor of the construction project of the Weifang connecting line of Weiri Expressway in the value of approximately RMB1.2 billion. Shandong Luqiao has signed a contract with Shandong Hi-Speed Construction Management Co., Ltd (山東高速集團建設管理公司) and Weifang City Construction and Development Investment Group Co., Ltd. (濰坊市城市建設發展投資集團有限公司) in relation to the project, pursuant to which they will co-establish a project company to undertake the project. The Group believes that the investment in the project, in line with its long-term development strategy, is conducive to the growth of its construction business and will further contribute to the sustainable development of the Group.

SD Shipping and Shandong Marine

Since 1 July 2019, SD Shipping and Shandong Marine are no longer consolidated subsidiaries of the Group. The Group continues to conduct its port and shipping logistics related services through Shandong Bohai Bay Port Group Co., Ltd. (山東渤海灣港口集團有限公司).

DIRECTORS AND MANAGEMENT OF THE COMPANY

Board of Directors of the Company

The Board of Directors of the Company consists of the Strategy Committee, Nomination Committee, the Remuneration and Evaluation Committee and Audit Committee. As at the date of this Offering Circular, the Board of Directors consists of the following members:

Name	Age	Position
Zou Qingzhong (鄒慶忠)	54	Chairman of the Board of Directors and Secretary of the Communist Party Committee
Liu Hongbin (劉洪斌)	55	Executive Director and Deputy Secretary of the Communist Party Committee
Xu Junfeng (徐軍峰)	57	Executive Director and Standing Member of the Communist Party Committee
Li Hang (李航)	49	Executive Director and Standing Member of the Communist Party Committee
Zhang Wen (張文)	59	Independent Non-Executive Director
Yu Yongda (于永達)	67	Independent Non-Executive Director
Song Jingyan (宋靖雁)	55	Independent Non-Executive Director
Wang Zhibin (王志斌)	54	Employee Director and Standing Member of the Communist Party Committee

The biographies of the Company's directors as at the date of this Offering Circular are as follows:

Zou Qingzhong

Chairman of the Board of Directors and Secretary of the Communist Party Committee

Mr. Zou Qinzong (鄒慶忠) is the chairman of the Board of Directors and secretary of the Communist Party Committee of the Company. Prior to joining the Group, he served as a staff member of Personnel Department of Shandong Provincial Bureau of Retired Officials (山東省委老幹部局), a staff member of Publicity Division of Organisation Department of Shandong Provincial Party Committee (山東省委組織部雜誌社), a principal staff member and the deputy director of Research Office of Organisation Department of Shandong Provincial Party Committee (山東省委組織部研究室), the deputy division director of Policy and Regulations Division of Organisation Department of Shandong Provincial Party Committee (山東省委組織部政策法規處). He also served as the deputy secretary of Shouguang Municipal Party Committee (山東省壽光市委) and vice mayor of Shouguang, the mayor of Zhucheng, the deputy secretary and secretary of Zhucheng Municipal Party Committee (山東省諸城市委), the chairman of the Standing Committee of Shouguang Municipal People's Congress (山東省諸城市人大常委會), the vice mayor of Weifang, and the secretary of the Judicial and Law Enforcement Committee and the Discipline Inspection Committee, and a standing member of Weifang Municipal Committee (濰坊市委). Mr. Zou holds a master's degree in Law.

Liu Hongbin

Executive Director and Deputy Secretary of the Communist Party Committee

Mr. Liu Hongbin (劉洪斌) is an executive director and the deputy secretary of the Communist Party Committee of the Company. Previously, he worked as a senior staff member of Accounting and Financial Division of Shandong Provincial Agricultural Department (山東省農業廳), the counsel (deputy section chief level) of Organisation Department of Shandong Provincial Party Committee (山東省委組織部), and the deputy division director of Cadres Division of Liaison Office of the Central People's Government in the Hong Kong S.A.R (中央駐港聯絡辦). He also held several positions in Organisation Department of Shandong Provincial Party Committee (山東省委組織部), including the

deputy division director of the Third Cadre Management Division (幹部管理三處) and the division director of the Cadre Information Management Division (幹部信息管理處). Mr. Liu holds a master's degree.

Xu Junfeng

Executive Director, Standing Member of the Communist Party Committee and Deputy General Manager

Mr. Xu Junfeng (徐軍峰) is an executive director, a member of the Communist Party Committee and a deputy general manager of the Company. He previously served as the section chief of Accounting and Finance Section and deputy director-general of Shandong Shipping Management Administration (山東省航運管理局), a director, deputy general manager and member of the Communist Party Committee of Shandong Shipping Group Company Limited (山東航運集團有限公司), and the deputy director-general, director-general and secretary of the Communist Party Committee of Railway Bureau of Shandong Province. Mr. Xu holds a master's degree.

Li Hang

Executive Director and Standing Member of the Communist Party Committee

Mr. Li Hang (李航) is an executive director and member of the Communist Party Committee of the Company. Previously, he served as the secretary, the secretary and staff member of Overseas Finance Section of Finance Department, and the deputy director of Finance Department of China Qingqi Group Corporation (中國輕騎集團總公司). He also served as the finance manager and the chief financial officer of several companies, including Sri Lanka Oriental Qingqi Lanka Company (斯里蘭卡東方輕騎蘭卡公司), Pakistan New Oriental International Trading Company (巴基斯坦新東方國際貿易公司) and Qingqi Uganda-Kenya Trading Company (輕騎烏幹達肯尼亞貿易公司). He was also the deputy director and director of Finance Department and chief financial officer of the Company. Mr. Li holds a doctor's degree.

Zhang Wen

Independent Non-Executive Director

Mr. Zhang Wen (張文) is an independent non-executive director of the Company. He previously held several roles in the Longkou Mining Bureau (龍口礦務局), including a technician, deputy section chief and section chief of Beizao Mine Geological Surveying Section (北皂煤礦地測科), deputy chief engineer, deputy division director and division director of Geological Surveying Division (地測處), and director of General Office. He later served as the deputy general manager of Shandong Energy Longkou Mining Group Co., Ltd (山東能源龍口礦業集團有限公司), the deputy general manager and a member of the Communist Party Committee of Shandong Energy Zibo Mining Group Co., Ltd (山東能源淄博礦業集團有限責任公司), the director, general manager and deputy secretary of the Communist Party Committee of Shandong Energy Xinwen Mining Group Co., Ltd (山東能源新汶礦業集團有限責任公司) ("Xinwen Mining"), and the director, general manager and secretary of the Communist Party Committee of Xinwen Mining. Since March 2016, he has also been serving as an officer of Shandong Energy Group Co., Ltd. (山東能源集團). Mr. Zhang holds a master's degree.

Yu Yongda

Independent Non-Executive Director

Mr. Yu Yongda (于永達) is an independent non-executive director of the Company. He concurrently serves as the deputy director of the Institute of International Development & Strategies (國際戰略與發展研究所) of the School of Public Policy & Management of Tsinghua University (清華大學公共管理學院). Mr. Yu has extensive experience in research and economics. Previously, he successively served as a visiting research fellow in the Bank Investigation Department of The Bank of Nagasaki, Ltd (日本長崎銀行) from July 1983 to November 1984, a visiting research fellow in the International Economics Department of Aichi University from March 1990 and December 1991, a visiting professor at Kyoto

University from August 1996 to December 1997, a dual-appointed professor (雙聘教授) at Tsinghua University from December 1997 to October 1998, and a professor at Tsinghua University since then. During this period, Mr. Yu also served as an independent director of WCC Bank from July 2002 to July 2005 and an independent director of China Southern Asset Management Co., Ltd (南方基金管理有限公司) from May 2011 to April 2014. Mr. Yu holds a master's degree.

Song Jingyang

Independent Non-Executive Director

Mr. Song Jingyan (宋靖雁) is an independent non-executive director of the Company. He concurrently serves as a professor at the Department of Automation of Tsinghua University and an independent director of Xingmin Intelligent Transportation Systems (Group) Co., Ltd (興民智通(集團)股份有限公司), a PRC-listed company (stock code: 002355). Previously, he took up several roles in the Department of Automation of Tsinghua University, including a teaching assistant and lecturer from July 1988 to July 1999, an associate professor and associate dean from July 1999 to December 2005, and a professor and associate dean from December 2005 to July 2010. He also took up several roles at The Chinese University of Hong Kong, including a research assistant of the Department of Systems Engineering and Engineering Management from January 1994 to December 1998, and an associate research fellow of the Department of Mechanical and Automation Engineering from December 2004 to February 2005. From June 2000 to December 2001, he served as the deputy group head of the panel of China Intelligent Traffic Framework Automatic Highway System (中國智慧交通框架體系自動公路系統) of the Ministry of Transport of the PRC (中華人民共和國交通運輸部). He also worked as a visiting scholar of California Partners for Advanced Transportation Technology ("PATH") of the University of California, Berkeley from September 2002 to June 2003. From December 2005 to October 2016, he was a member of the panel in the State High-Tech Development Plan (國家高技術研究發展計劃). During this period, he also worked as an independent director of Shenzhen Infogem Technologies Co., Ltd (深圳市銀之傑科技股份有限公司), a PRC-listed company (stock code: 300085) from 2009 to 2014. Mr. Song also holds a doctor's degree.

Wang Zhibin

Employee Director and Standing Member of the Communist Party Committee

Mr. Wang Zhibin (王志斌) is the employee director and a member of the Communist Party Committee. Prior to joining the Group, he served as the deputy director and director and assistant general manager of the Company. He also previously served as the deputy secretary of the Communist Party Committee and general manager of SDHS Rail Transit, and the vice chairman and general manager of SHCL.

Senior Management of the Company

As at the date of this Offering Circular, the members of the senior management of the Company includes the following members:

Name	Age	Position
Zou Qingzhong (鄒慶忠)	54	Chairman of the Board of Directors and Secretary of the Communist Party Committee
Liu Hongbin (劉洪斌)	55	Executive Director and Deputy Secretary of the Communist Party Committee
Xu Junfeng (徐軍峰)	57	Executive Director and Standing Member of the Communist Party Committee
Zhang Weizheng (張維政)	59	Secretary of the Commission for Discipline Inspection and Standing Member of the Communist Party Committee
Li Hang (李航)	49	Executive Director and Standing Member of the Communist Party Committee
Wang Zhibin (王志斌)	54	Employee Director and Standing Member of the Communist Party Committee
Fang Jianguo (房建果)	51	Deputy General Manager and Standing Member of the Communist Party Committee
Zhang Wen (張文)	59	Independent Non-Executive Director
Ai Yizhong (艾貽忠)	55	Deputy General Manager
Wang Sijun (王思軍)	56	Deputy General Manager
Jiang Zhenting (薑振亭)	59	Deputy General Manager
Meng Yan (孟岩)	53	Deputy General Manager
Sai Zhiyi (賽志毅)	49	Deputy General Manager
Zhou Xinbo (周新波)	51	Deputy General Manager
Ji Kecheng (嵇可成)	45	Chief Accountant
Wang Xiaodong (王小東)	42	Board Secretary

The biographies of the Company's members of senior management as at the date of this Offering Circular are as follows:

Zou Qinqzhong

Chairman of the Board of Directors and Secretary of the Communist Party Committee

See “ – Board of Directors of the Company”.

Liu Hongbin

Executive Director and Deputy Secretary of the Communist Party Committee

See “ – Board of Directors of the Company”.

Xu Junfeng

Executive Director, Standing Member of the Communist Party Committee and Deputy General

See “ – Board of Directors of the Company”.

Zhang Weizheng***Secretary of the Commission for Discipline Inspection and Standing Member of the Communist Party Committee***

Mr. Zhang Weizheng (張維政) is the secretary of the Commission for Discipline Inspection and a standing member of the Communist Party Committee of the Company. Previously, Mr. Zhang served as the deputy secretary of the Commission for Discipline Inspection and the director-general of the Supervision Bureau of Zibo Municipal Government. He also served as secretary of the Commission for Discipline Inspection of a state-owned enterprise under the supervision of Shandong Government.

Li Hang***Executive Director and Standing Member of the Communist Party Committee***

See “ – Board of Directors of the Company”.

Wang Zhibin***Employee Director and Standing Member of the Communist Party Committee***

See “ – Board of Directors of the Company”.

Fang Jianguo***Deputy General Manager and Standing Member of the Communist Party Committee***

Mr. Fang Jianguo (房建果) is a deputy general manager and standing member of the Communist Party Committee of the Company. Previously, Mr. Fang served as a principal staff member of Infrastructure Division of Expressway Bureau, deputy division director of Maintenance Division of Expressway Bureau, deputy division director of Construction Management Division, division director of Comprehensive Planning Division and chief engineer of Shandong Provincial Transportation Department (山東省交通運輸廳).

Zhang Wen***Independent Non-Executive Director***

See “ – Board of Directors of the Company”.

Ai Yizhong***Deputy General Manager***

Mr. Ai Yizhong (艾貽忠) is a member of the Communist Party Committee and has been the deputy general manager of the Company since June 2013. Previously, he served as the chief engineer of the Company from September 2010 to June 2013, the assistant general manager of the Company, and the deputy manager and chief engineer of Luxi Branch of the Company. He was also the chairman of the Board of Directors and secretary of Communist Party Committee of Shandong Road & Bridge. Prior to joining the Company, he worked as a technician and assistant engineer of the Second Branch of Shandong Transport Engineering Company (山東省交通工程公司第二分公司), the deputy section chief and section chief of Engineering Section of the Office of Shandong Jinan-Zede Highway Project Construction Headquarters (山東省濟德公路工程建设指揮部辦公室), and the director of the Road and Bridge Department of Shandong Jingfu Expressway Construction and Management Office (山東省京福高速公路建設管理辦公室)(“Jingfu Office”).

Wang Sijun

Deputy General Manager

Mr. Wang Sijun (王思軍) is a deputy general manager of the Company and a member of the Communist Party Committee. Prior to joining the Company, he served as the deputy division director of Finance Division and the manager of Finance Department of Shandong Silk Corporation (山東省絲綢總公司), the general accountant and member of Communist Party Committee of Shandong Silk Group Co., Ltd (山東省絲綢集團), and the chief financial officer of Hualu Holdings Co., Ltd (華魯控股集團有限公司). From March 2012 to July 2015, he worked as the chief financial officer of Shandong Iron & Steel Group Co., Ltd (山東鋼鐵集團有限公司). Mr. Wang holds a master's degree in Business Administration and is a senior accountant.

Jiang Zhenting

Deputy General Manager

Mr. Jiang Zhenting (姜振亭) is a deputy general manager of the Company and a member of the Communist Party Committee. Mr. Jiang has previously served several positions in the Group, including the chief engineer of the Company, the assistant general manager of the Company and general manager and deputy secretary of the Communist Party Committee of Shandong Hi-speed Construction Group Co., Ltd. (山東高速建設集團有限公司) (“**Hi-speed Construction**”), general manager and deputy secretary of the Communist Party Committee of Hi-speed Construction, and the general manager and deputy secretary of the Communist Party Committee of Shandong Hi-Speed Construction Management Co., Ltd (山東高速集團建設管理公司). Prior to joining the Group, he served as the director and director-general of the Shandong Provincial Communications Planning and Design Institute (山東省交通規劃設計院), and the deputy director of Jingfu Office. Mr. Jiang holds a master's degree in Engineering and is a research fellow in engineering technology application.

Meng Yan

Deputy General Manager

Mr. Meng Yan (孟岩) is a deputy general manager of the Company. Prior to joining the Company, he served as secretary of the Youth League Committee and metal processing plant technician in Tianjin Heavy Machinery Plant and director of Shandong International Economics (HK) Limited. Mr. Meng also held many positions during his time at the China Shandong International Economic and Technological Cooperation Corporation (中國山東國際經濟技術合作公司) (“**CSIETCC**”), such as a staff member, section chief and assistant manager of Financial Aid Business Department, project manager and deputy director of Yemen Office, deputy manager of Integrated Services Department, deputy manager and manager of Overseas Engineering Department, deputy general manager, general manager, and member and deputy secretary of Communist Party Committee.

Sai Zhiyi

Deputy General Manager

Mr. Sai Zhiyi (賽志毅) is a deputy general manager of the Company. Previously, he served as the president in both Weihai City Commercial Bank's Shidao and Shuntong branches, the vice-president and the president in its Jinan branch, as well as the vice-chairman, vice president, president and deputy party secretary of the bank.

Zhou Xinbo

Deputy General Manager

Mr. Zhou Xinbo (周新波) is a deputy general manager of the Company. Previously, he served as a general manager and deputy secretary of Shandong Hi-Speed Sichuan Industrial Development Co., Ltd., executive director and legal representative of Shandong Sichuan Leyi Expressways, and vice-chairman, general manager and deputy party secretary of Shandong Road & Bridge.

Ji Kecheng***Chief Accountant***

Mr. Ji Kecheng (嵇可成) is the chief accountant of the Company. Previously, Mr. Ji held several positions in the Group, including the staff member and deputy director of Finance Department and deputy secretary of the Commission for Discipline Inspection of the Company, the chief accountant and member of the Communist Party Committee of SDHS Rail Transit, and the director of SD Railway Construction. Prior to joining the Company, he worked as a staff member of Finance Section of Shandong Provincial Jiqing Expressway Management Bureau (山東省濟青高速公路管理局), the accountant of the Finance Section of Shandong Provincial Jide Expressway Engineering and Construction Office (山東省濟德高速公路工程建設辦公室), the accountant of the Finance Section of Shandong Provincial Jingfu Expressway Construction Management Office (山東省京福高速公路建設管理辦公室), the section chief of Finance Section of Qi River-Xiajin Expressway Construction Project Management Office, and the supervisor of Bohai Ferry Holdings Company Limited (渤海輪渡股份有限公司).

Wang Xiaodong***Board Secretary***

Mr. Wang Xiaodong (王小東) is the board secretary of the Company. Previously, he served as a staff member of the monitoring centre, and a publicity officer and deputy director of Organisation and Personnel Section of the Jinan Management Office for Shandong Infrastructure Jiqing Expressway (山東基建濟青高速濟南管理處), a staff member of Political Division, secretary of the Youth League Committee and deputy director of General Office of the Luxi Branch of the Company, and a staff member, deputy secretary of the Youth League Committee, deputy director and director of the Company.

PRC LAWS AND REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations and the overseas financing. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations or the overseas financing.

Government Regulations

The Group's operations are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Company believes that the Group is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

The construction and operation of expressways in the PRC is governed by a regulatory regime specific to the expressway transportation sector.

PRC Regulations on Expressway and Railway Construction and the Relevant Business

The construction, survey, design and operation of expressways and railway in the PRC are subject to the supervision and administration of the relevant government authorities, primarily with respect to qualifications of the entities undertaking the construction, survey and design work, project tendering, quality, safety, checking for the completion of engineering works and environmental protection.

Expressway Regulatory Authorities

The NDRC is responsible for the overall investment plan of the major expressways as defined in the relevant regulations. The investment plan of other expressway projects must be reviewed and approved by the provincial branches of the NDRC.

The Ministry of Transport is responsible for the overall construction plan and administration on the construction of the major expressway projects as determined by the Ministry of Transport. At a local level, the relevant departments of communications are in charge of highway construction projects within their administrative areas. Responsibility for setting and regulating expressway toll rates, toll terms and toll stations rests with the provincial governments and/or other relevant provincial departments responsible for price, finance and communications.

Expressway and Toll Road Regulations

The PRC Expressway Law was adopted on 3 July 1997, and was subsequently amended in 1999, 2004 and 2009. Planning, construction, maintenance, management, use and administration of roads within the borders of the PRC, including expressway bridges, expressway tunnels and expressway crossings, shall comply with the requirements of the PRC Expressway Law.

In addition, the construction, management and operation of toll roads (including bridges and tunnels), the location of toll booths and the transfer of interests and benefits of toll roads are subject to the Highway Toll Management Regulations adopted in 2004. A draft amendment to the regulation had sought for public comments by August 2015. As at the date of this Offering Circular, no amendment to the regulation has been put into effect.

Foreign Exchange Administration

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange of (國家外匯管理局, the “SAFE”), under the authority of the People’s Bank of China (中國人民銀行, the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal law governing foreign exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange (《中華人民共和國外匯管理條例》, the “**Foreign Exchange Regulations**”). The Foreign Exchange Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Regulations. According to the Foreign Exchange Regulations, the RMB is freely convertible for “current account transactions”, which refers to any transaction account for international receipts and payments involving goods, services, earnings and frequent transfers. For “capital account transactions” which refers to any transaction account for international receipts and payments that result in any change in external assets and liabilities, including, *inter alia*, capital transfers, direct investments, securities investments, derivatives and loans, prior approval of and registration with the SAFE or its local branches is generally required.

Pursuant to the Administrative Regulation of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and came into effect on 1 July 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account transactions, obtaining approval from SAFE or its local branches.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《關於改革和規範資本項目結匯管理政策的通知》, the “**SAFE Circular 16**”) which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, external debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the Company’s scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

The Notice of the State Administration of Foreign Exchange on Matters concerning the Issuance of Foreign Exchange Administration Rules for Trade in Goods (《國家外匯管理局關於印發貨物貿易外匯管理法規有關問題的通知》), which was promulgated by the SAFE on 27 June 2012 and took effect on 1 August 2012, allows the loans made by domestic financial institutions and funds transferred back from overseas under the export trade financing account to be directly transferred to enterprises’ current foreign exchange accounts.

Dividend Distributions

Under the Company Law, before dividends can be paid, a company shall set aside a minimum of 10 per cent. of its after-tax profit as a statutory surplus reserve fund. A company is not required to do so until the reserve balance reaches 50 per cent. of its registered capital. If a company's statutory reserve fund is not sufficient to cover its losses in previous years, a company shall use its profit of the current year to cover losses before retaining the statutory reserve fund. After a company has retained the statutory reserve fund as required, it may retain discretionary reserve fund from the after-tax profit (as approved by shareholders' meeting). After losses are covered and the reserve fund is retained, a company may distribute dividends to its shareholders.

TAXATION

The following summary of certain Hong Kong, PRC and British Virgin Islands tax consequences of the purchase, ownership and disposition of Securities is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Hong Kong Taxation

Withholding Tax

No withholding tax is payable in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Securities) or distributions in respect of the Securities.

Profits Tax

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, distribution on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried in Hong Kong in the following circumstances:

- (i) distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (ii) distribution on the Securities is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or;
- (iii) distribution on the Securities is derived from Hong Kong and is received by or accrues to a person (other than a company) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Securities may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Securities will be subject to profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security (for so long as the register of holders of the Securities is maintained outside Hong Kong or the Securities continue to be denominated in US dollars and cannot to any extent be redeemed in Hong Kong dollars).

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of the Securities (except as described in the section titled “VAT” below) to non-resident holders is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the PRC Enterprise Income Tax Law and the related regulations, if the Issuer is treated as a PRC “resident enterprise”, PRC income tax at a rate of 10 per cent. (or a lower treaty rate, if applicable) would be required to be withheld from interest payments to holders that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with such establishment or place of business, if such interest is treated as income from sources within the PRC. The PRC Individual Income Tax Law also imposes a withholding tax at the rate of 20 per cent. (or a lower treaty rate, if applicable) on interest from PRC source paid to non-resident individual holders. In addition, any gain realized on the transfer of the Securities by Holders would be subject to PRC income tax at the rate of 10 per cent. for non-resident enterprise holders or 20 per cent. for non-resident individual holders (or a lower treaty rate, if applicable) if such gain is regarded as income derived from sources within the PRC. The Issuer currently takes the position that it is not a PRC resident enterprise. However, the Issuer has been advised by its PRC legal advisor, Deheng, that there is uncertainty as to whether the Issuer will be treated as a PRC “resident enterprise” for the purpose of the PRC Enterprise Income Tax Law. If the Issuer is treated as a PRC “resident enterprise,” the interest paid by the Issuer in respect of the Securities, and the gain realized by any non-resident holder may realize from the transfer of the Securities, may be treated as income derived from sources within the PRC and be subject to the PRC tax described above, which may materially and adversely affect the value of investment in the Securities. See “*Risk Factors – The Issuer may be deemed to be a PRC tax resident enterprise by the PRC tax authorities and certain withholding taxes may be applicable.*”

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10% on such payments to non-PRC resident enterprise holders of the Securities and 20% for non-resident individual holders of the Securities if such interest payments are deemed to be derived from sources within the PRC.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Securities so that holders of the Securities would receive the full amount of the scheduled payment. See “*Terms and Conditions – Taxation.*”

VAT

On 23 March 2016 the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (關於全面推開營業稅改徵增值稅試點的通知)(“Circular 36”) which stipulates that the business tax will be completely replaced with VAT from 1 May 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Securities is likely to be treated as the holders of the Securities providing loans to the Issuer or the Guarantor, which thus shall be regarded as financial services subject to VAT for VAT purpose. Accordingly, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the Holders of the Securities are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the Holders of the Securities under the Guarantee is viewed as interest income arising within the territory of the PRC, the Holders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Holders may subject to withholding VAT and surcharges at the rate of approximately 6.72 per cent..

Where a holder of the Securities is an entity or individual located outside of the PRC, and such holder resells the Securities to an individual or entity located outside of the PRC and derives a gain on such sale, neither the service provider nor the service recipient, both being located outside the PRC, are likely to be impacted by Circular 36. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located within the PRC. Circular 36 has recently been issued and much uncertainty remains as to its application. The above statements regarding Circular 36 may be subject to further changes following clarification from the competent tax authority.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Security (for so long as the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Securities is made outside of the PRC).

British Virgin Islands

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or distribution in respect of the Securities to persons who are not resident in the British Virgin Islands are not subject to British Virgin Island tax or withholding tax.

Capital gains realised with respect to the Securities by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Securities.

All instruments relating to transactions in respect of the Securities are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer (or any of its subsidiaries) is not a “land owning company” and does not have an interest in any land in the British Virgin Islands.

SUBSCRIPTION AND SALE

The Issuer and The Company have entered into a subscription agreement dated on or about 25 July 2019 (the “Subscription Agreement”) with the Joint Lead Managers. Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Issuer and the Company agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the following aggregate principal amount of the Securities set forth opposite the Joint Lead Managers’ name:

Name	Principal Amount of the Securities
ICBC International Securities Limited	US\$76,500,000
Industrial and Commercial Bank of China (Asia) Limited	US\$76,500,000
The Hongkong and Shanghai Banking Corporation Limited	US\$76,500,000
Bank of China Limited	US\$76,500,000
Standard Chartered Bank	US\$76,500,000
Citigroup Global Markets Limited	US\$76,500,000
Morgan Stanley & Co. International plc	US\$76,500,000
GF Securities (Hong Kong) Brokerage Limited	US\$76,500,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	US\$76,500,000
ABCI Capital Limited	US\$76,500,000
Bank of Communications Co., Ltd. Hong Kong Branch	US\$9,000,000
BOCOM International Securities Limited	US\$9,000,000
China CITIC Bank International Limited	US\$9,000,000
China Merchants Securities (HK) Co., Limited	US\$9,000,000
CLSA Limited	US\$9,000,000
CMBC Securities Company Limited	US\$9,000,000
CMB Wing Lung Bank Limited	US\$9,000,000
DBS Bank Ltd. (a limited liability company incorporated in the Republic of Singapore)	US\$9,000,000
Dongxing Securities (Hong Kong) Company Limited	US\$9,000,000
Mizuho Securities Asia Limited	US\$9,000,000
Nomura International (Hong Kong) Limited	US\$9,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	US\$9,000,000
SPDB International Capital Limited	US\$9,000,000
Yue Xiu Securities Company Limited	US\$9,000,000
Zhongtai International Securities Limited	US\$9,000,000
Total	<u>US\$900,000,000</u>

The Subscription Agreement provides that the Issuer failing whom the Company (as the case may be) jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Company and/or relevant affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Company and/or relevant affiliates in the ordinary course of their business. The Joint Lead Managers or certain of their affiliates may purchase Securities net of commission and be allocated Securities for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their affiliates may purchase Securities for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Securities and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Securities).

The Joint Lead Managers may also, as initial purchasers, on-sell the Securities to investors at prices which may be different from the issue price of the Securities.

In connection with the issue of the Securities, each of the Joint Lead Managers (or any person acting on its behalf) (the “**Stabilising Manager**”) may purchase and sell the Securities in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, stabilising transactions and purchases to cover positions created by short sales. These activities may stabilise, maintain or otherwise affect the market price of the Securities. As a result, the price of the Securities may be higher than the price that otherwise might exist in the open market in doing such transactions, the Stabilising Manager shall act as principal and not as agent of the Issuer. There is no assurance, however, that the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Securities is made, and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of the Securities and 60 days after the date of allotment of the relevant tranche of Securities. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

Neither the Issuer, the Company nor any person acting on its behalf will issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of (or publicly announce any such action), any other debt securities of the Issuer or the Company or securities of the Issuer or the Company that are convertible into, or exchangeable for, the Securities or such other debt securities, in any such case outside the PRC without the prior written consent of the Joint Lead Managers until 45 days after the issuance of the Securities.

We expect that delivery of the Securities will be made against payment therefor on or about the Closing Date, which will be on or about the fifth business day following the pricing date of the Securities (this settlement cycle being referred to as T+5). Accordingly, purchasers who wish to trade Securities on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Securities initially will settle in T+5 to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Securities who wish to trade the Securities on the date of pricing or succeeding business days should consult their own legal advisor.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Selling Restrictions

General

Neither the Issuer, the Company nor the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Company that would permit a public offering of the Securities, or possession or distribution of the Preliminary Offering Circular or the Offering Circular (in proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any

country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes the Preliminary Offering Circular or the Offering Circular (in proof or final form) or any such other material, in all cases at its own expense. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in, or which is consistent with, the Offering Circulars (in final form) or any amendment or supplement to it.

United States

The Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents that it has not offered or sold, and agrees that it will not offer or sell, any Bond within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving, the United Kingdom.

Hong Kong

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers has acknowledged that the Offering Circulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (c) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (d) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (vii) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (viii) where no consideration is or will be given for the transfer;
- (ix) where the transfer is by operation of law;
- (x) as specified in Section 276(7) of the SFA; or
- (xi) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People’s Republic of China

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Taiwan

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Securities acquired by it as part of the offering in Taiwan or to, or for the account or benefit of, any resident of Taiwan, except as permitted by the securities laws of Taiwan.

British Virgin Islands

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that it has not made and will not make any invitation, directly or indirectly, to any natural person resident or citizen in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Securities and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Company's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain material differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Company. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Company, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Provision for Future Development Fund and Work Safety Cost

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Company has to accrue special reserves such as future development funds and work safety cost reserves, which are presented as cost of expenses of the period and the amount that has been accrued but not used are presented in special reserve of owner's equity. Work safety cost, which belongs to cost of expenses, directly offset the special reserves. The accrued work safety cost, which is used by enterprises and used to form fixed assets, shall be charged as "construction in progress", and recognised as a fixed asset upon the project being completed and reaching the expected operational standard. Meanwhile, the special reserves are offset in accordance with the cost of fixed asset formation, while the equivalent amount of accumulated depreciation is recorded. The fixed asset so formed shall cease to accrue depreciation in the following periods.

Pursuant to the IFRS, these expenditures should be recognised when incurred. Relevant capital expenditures are recognised as part of cost of non-current assets when they are incurred and depreciated according to the respective depreciation policy. The differences between the above mentioned standards give rise to differences in deferred tax.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit and loss.

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related Party Disclosures

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

GENERAL INFORMATION

Clearing Systems: The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code 203263643 and ISIN XS2032636438.

Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities. The issue of the Securities was authorised by written resolutions of the directors of the Issuer dated 16 July 2019. The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into and performance of the Trust Deed, the Deed of Guarantee and the Agency Agreement. The entry into the Trust Deed, the Deed of Guarantee and the Agency Agreement and the giving of the Guarantee was authorised by the minutes of the general manager office meeting (總經理辦公會決議) dated 24 June 2019.

No Material and Adverse Change: Save as disclosed in this Offering Circular, there has been no material and adverse change in the financial or trading position, prospects or results of operations of the Issuer, the Company or the Group since 31 December 2018.

Litigation: None of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer or the Company aware that any such proceedings are pending or threatened. Each of the Issuer or the Company may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

Available Documents: Copies of the Company's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018, the Trust Deed and the Agency Agreement relating to the Securities will be available for inspection from the Issue Date upon prior written request and satisfying proof of holding at the specified office of the Trustee (currently at 20/F Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Hong Kong) during normal business hours (being 9:00am to 3:00pm from Monday to Friday, public holidays excepted), so long as any Bond is outstanding.

Audited Financial Statements: The Company's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018, which are included elsewhere in this Offering Circular, have been audited by Baker Tilly China, in accordance with PRC GAAP.

Listing: Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the SGX-ST. The Securities will be traded on the SGX-ST in minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive certificates. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made through SGX-ST and such amount will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

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AUDITOR'S REPORT

Baker Tilly China [2019] No.19868

Shandong Hi-Speed Group Co., Ltd:

1. Opinion

We have audited the accompanying financial statements of Shandong Hi-Speed Group Co., Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheet as at 31 December 2018, the consolidated and the Company's income statement and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2018, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (the "ASBE").

2. Basis of opinion

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

3. Key audit matters

The key audit matters are the matters that we believe are most important for the audit of the current financial statements based on professional judgment. The response to these matters is based on the overall audit of the financial statements and the formation of an audit opinion. We do not express an opinion on these matters separately.

Key audit matters	How we responded in audit
Recognition of bad debt provision for accounts receivable	
As is shown in note 4(II) in section VIII to Financial Statements of 2018, as of 31 December, 2018, the balance of accounts receivable of Shandong High-speed Group was RMB 5.80 billion and the balance of bad debts was RMB 721 million. Shandong High-speed's estimates of bad debt provision need to consider the financial operating	Our main audit procedures for the recognition of bad debt provision for accounts receivable include: 1. Understanding and evaluating the effectiveness of the design and operation of key internal controls related to the impairment of account receivable; 2. Checking whether the accounting policies and estimates related to bad debt preparation meet the requirements of accounting standards;

AUDITOR'S REPORT (Continued)

Baker Tilly China [2019] No.19868

Key audit matters	How we responded in audit
Recognition of bad debt provision for accounts receivable	
conditions of the customer, the data and timing of the expected customers' repayment, and the division of the credit risk portfolio. Bad debts from accounts receivable unable to recover on time or unable to recover may have significant impact to the financial statements, and the assessment of bad debts involves significant judgments and estimates of management. Therefore, we consider the bad debt provision of accounts receivable as a key audit matter.	3. For receivables that are individually accrued for bad debt provision, select a sample to obtain management's estimates of estimated future recoverable amounts, including customer financial status, customer credit history, default or delayed payment records, and actual repayments after the period. , and review its rationality 4. For account receivables with bad debt provision based on aging analysis method, analyze the reasonableness of accounting estimates for bad debts, and select samples to test the accuracy of aging.
Depreciation of road and amortization of toll road's franchise rights	
As shown in note 14, note 18 in section IV, note 19(I), note 22 in section VIII to Financial statements of 2018, the scale of assets and toll road franchise rights of the Shandong High-speed Group's road production are large, and it is the company's core assets. The franchise rights of the toll roads under the jurisdiction of Shandong High-speed Group are amortized using the workload method (i.e. the traffic flow method). The annual depreciation and amortization amount is determined on the ratio of the actual traffic volume in the specific year to the estimated total traffic volume during the remaining franchise rights' charging period. As the estimated total traffic volume during the remaining charging period involves significant accounting estimates, we have classified the accuracy of	Our main audit procedures for the accuracy of depreciation of road and amortization of toll road's franchise rights include: 1. Assess the qualifications, professional competence and independence of the third-party organizations which conduct traffic flow forecasting; 2. Obtain prediction reports from external independent professional organizations, review their key assumptions, and compare their key assumptions with government plans; 3. Compare the difference between the predicted traffic flow and the actual traffic flow, and evaluate the forecast accuracy of the traffic flow forecast report; 4. Review whether the actual traffic flow data applied by the management is consistent with the actual traffic flow data obtained by the external party; 5. Re-calculate the depreciation of road and the amortization of toll road's franchise rights, and compare the re-calculate amount with Financial statements of 2018.

AUDITOR'S REPORT (Continued)

Baker Tilly China [2019] No.19868

Key audit matters	How we responded in audit
Depreciation of road and amortization of toll road's franchise rights	
depreciation and amortization of the roads and toll road's franchise rights as a key audit matter.	

4. Other information

Management of the Company is responsible for other information. Other information comprises those disclosed in the report, but excludes the financial statement and the auditors' report thereon.

Our audit opinion expressed on financial statements does not extend to other information, nor do we express any form of assurance conclusions thereon.

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

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

5. Responsibilities of management and those charged with governance for the financial statements

The management are responsible for the preparation of financial statements that give a true and fair view in accordance with the ASBE and for design, implement and maintain such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

6. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or errors, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

(6) Obtain sufficient and appropriate audit evidence on financial information of the entities or operating activities of the company so as to express an audit opinion on the financial statements. We are responsible for guidance, supervision and execution of the group audit, and we assume full responsibility to the audit opinion thereon.

We communicate to those charged with governance, among other matters, on the planned

AUDITOR'S REPORT (Continued)

Baker Tilly China [2019] No.19868

audit scope, timing and significant audit findings, including significant deficiencies in internal controls that we identified during our audit.



Chinese Certified Public

Accountant:



Chinese Certified Public

Accountant:



Chinese Certified Public

Accountant:



This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case any inconsistencies between the two reports, the Chinese version shall prevail.

Consolidated Balance Sheet

Company: Shandong Hi-Speed Group Co., Ltd.

31 December, 2018

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current assets:	1			
Cash and cash equivalents	2	38,629,853,312.03	40,070,376,847.44	VIII.note1
△Deposit Reservation for Balance	3			
△Loan to other banks	4	1,269,279,600.00	1,207,292,800.00	VIII.note2
Financial assets measured at fair value through profits and losses of the current period	5	6,724,698,874.86	7,281,656,304.85	VIII.note3
Derivative financial assets	6			
Receivables	7	6,189,877,272.56	5,439,324,234.20	VIII.note4
Prepayments	8	2,673,036,346.32	4,397,099,933.77	VIII.note5
△Premiums receivable	9	70,881,752.73	60,647,626.53	VIII.note6
△Reinsurance accounts receivable	10	159,723,596.79	87,054,038.29	VIII.note7
△Reinsurance reserves receivable	11	150,265,348.75	128,396,301.99	
Other receivables	12	21,164,477,164.01	15,839,221,010.32	VIII.note8
△Redemptory financial assets for sale	13	1,610,803,085.00	15,058,130,001.82	VIII.note9
Inventories	14	21,332,043,056.86	22,511,759,957.19	VIII.note10
Including: raw materials	15	1,409,283,382.35	656,006,118.55	VIII.note10
Goods on hand (finished products)	16	2,872,944,653.55	4,477,639,151.28	VIII.note10
Classified as held for sale of assets	17			
Non-current assets due within one year	18	192,922,842.26	1,202,277,040.86	VIII.note11
Other current assets	19	15,312,536,590.21	24,306,847,870.71	VIII.note12
Total current assets	20	115,480,398,842.38	137,590,083,967.97	
Non-current assets:	21			
△Loans and advances	22	72,607,758,710.59	64,288,933,970.05	VIII.note13
Available-for-sale financial assets	23	88,548,350,587.29	69,704,820,613.02	VIII.note14
Held-to-maturity investment	24	37,104,550,884.35	41,629,293,319.48	VIII.note15
Long-term account receivable	25	22,493,683,846.77	16,851,979,008.59	VIII.note16
Long-term equity investment	26	17,470,438,229.41	12,481,449,423.10	VIII.note17
Investment property	27	2,948,239,157.47	1,815,175,163.21	VIII.note18
Fixed Assets	28	84,939,663,522.47	42,045,856,816.15	VIII.note19
Construction in process	29	52,230,079,116.15	72,767,325,830.36	VIII.note20
Productive biological assets	30	31,928,876.13	28,827,611.27	VIII.note21
Oil and gas assets	31			
Intangible assets	32	85,414,807,342.70	67,196,846,098.15	VIII.note22
Development expenditure	33	10,590,487.25	6,093,687.10	VIII.note23
Goodwill	34	1,117,331,102.89	1,080,451,028.99	VIII.note24
Long-term deferred expenses	35	959,412,398.77	950,073,440.85	VIII.note25
Deferred tax assets	36	2,860,061,750.13	1,943,528,098.00	VIII.note26
Other non-current assets	37	30,369,200,136.20	23,795,484,577.46	VIII.note27
Including: special reserve materials	38			
Total non-current assets	39	499,106,096,148.57	416,586,138,685.78	
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Total assets	59	614,586,494,990.95	554,176,222,653.75	

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Balance Sheet (Continued)

Company: Shandong Hi-Speed Group Co., Ltd.		31 December, 2018		Monetary Unit: RMB
Item	NO.	Closing balance	Opening balance	Notes NO.
Current liability:	60			
Short-term borrowing	61	9,701,203,883.13	10,991,130,917.81	VIII note28
△ Borrowing from the Central Bank	62	3,646,927,706.50	3,166,428,312.50	VIII note29
△ Deposits from customers and interbank	63	117,263,786,921.67	118,805,260,637.81	VIII note30
△ Loan from other banks and other financial institutions	64	10,351,070,000.00	6,686,000,000.00	VIII note31
Financial liabilities measured at fair value through profits and losses of the current period	65			
Derivative financial liabilities	66			
Payables	67	22,339,771,678.32	16,455,902,922.42	VIII note32
Advances received	68	7,384,731,709.00	5,057,962,721.95	VIII note33
△ Financial assets sold for repurchase	69	5,757,654,109.00	22,020,150,000.00	VIII note34
△ Handling fee and commission	70	22,078,602.19	24,271,267.48	
Employee benefits payable	71	961,822,232.60	871,905,988.01	VIII note35
Including: Accrued payroll	72	660,131,866.66	616,289,532.15	VIII note35
Welfare benefits payable	73	6,109,990.36	7,274,055.10	VIII note35
#Including: Employee bonus and welfare fund	74			
Taxes and surcharges payable	75	1,618,487,513.40	1,620,150,638.77	VIII note36
Including: Taxes payable	76	1,604,523,336.93	1,490,124,415.70	VIII note36
Other payables	77	24,644,673,472.91	19,496,097,836.64	VIII note37
△ Reinsurance payable	78	131,379,347.87	122,262,402.62	VIII note38
△ Provision for insurance contracts	79	1,656,287,695.30	1,564,971,373.59	VIII note39 VIII note40
△ Acting trading securities	80			
△ Acting underwriting securities	81			
Classified as held for sale debt	82			
Non-current liabilities due within one year	83	10,443,557,980.65	4,896,424,258.69	VIII note41
Other current liabilities	84	9,328,049,671.74	9,500,135,625.02	VIII note42
Total current liabilities	85	225,251,482,524.28	221,279,054,903.31	
non-current liability:	86			
Long-term borrowing	87	118,109,159,199.09	95,854,172,738.42	VIII note43
Bonds payable	88	82,927,778,492.37	72,096,813,334.82	VIII note44
Including: Preference share	89			
Perpetual bond	90			
Long-term payables	91	5,963,833,489.60	5,690,543,724.80	VIII note45
Long-term employee benefits payable	92	165,288,319.07	47,527,246.64	VIII note46
Accrued liabilities	93	28,264,472.35	74,096,377.99	VIII note47
Deferred revenue	94	2,715,509,065.14	2,460,209,074.76	VIII note48
Deferred tax liabilities	95	1,248,576,391.31	943,432,226.60	VIII note26
Other non-current liabilities	96	406,145,955.60	316,960,585.04	VIII note49
Including: special reserve fund	97			
Total non-current liabilities	98	211,564,555,384.53	177,483,755,309.07	
Total liabilities	99	436,816,037,908.81	398,762,810,212.38	
Equity:	100			
Paid-in capital (or share capital)	101	23,338,335,563.00	20,056,415,293.29	VIII note50
Other equity instruments	102	26,000,000,000.00	20,100,000,000.00	VIII note51
Including: Preference share	103			
Perpetual bond	104	26,000,000,000.00	20,100,000,000.00	VIII note51
Capital reserve	105	9,569,052,168.08	12,834,340,904.09	VIII note52
Minus: Treasury shares	106			
Other Comprehensive Income	107	164,638,306.81	150,094,384.50	VIII note78
Including: the foreign currency statement translation difference	108	-211,441,002.80	-2,635,059.68	VIII note78
Special reserves	109	210,418,946.38	162,060,381.09	VIII note53
Surplus reserves	110	1,329,806,450.62	1,137,059,283.25	VIII note54
Including: statutory surplus reserves	111	1,329,806,450.62	1,137,059,283.25	VIII note54
discretionary surplus reserves	112			
△ Provision for normal risks	113	982,826,854.50	893,161,152.86	VIII note55
Undistributed profit	114	10,484,026,390.95	9,488,687,217.98	VIII note56
Total owners' equity belongs to parent company	115	72,079,104,680.34	64,821,818,617.06	
* Minority equity	116	105,691,352,401.80	90,591,593,824.31	
Total equity	117	177,770,457,082.14	155,413,412,441.37	
Total liabilities and equity	118	614,586,494,990.95	554,176,222,653.75	
Legal Representative: Zou Qingzhong		Chief Accountant: Wang Sijun	Person in charge of accounting department: Liang Zhanhai	

Consolidated Income Statement

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item	NO	Amount for the current period	Amount for the prior period	Notes NO
1. Overall operating revenue	1	70,626,844,609.11	66,633,518,983.19	
Including: operating revenue	2	59,767,767,475.97	56,538,919,713.40	VIII. note57
△ Interest proceed	3	8,895,595,386.12	8,370,267,406.61	VIII. note58
△ Earned premium	4	1,594,855,837.92	1,392,098,115.05	VIII. note59
△ Revenue from handling charges and commissions	5	368,625,909.10	332,233,748.13	VIII. note60
2. Overall operating costs	6	70,327,524,723.94	63,148,099,200.48	
Including: operating costs	7	49,793,870,381.59	45,868,432,682.05	VIII. note57
△ Interest expense	8	5,313,690,092.41	4,686,209,050.49	VIII. note58
△ Handling charges and commissions expenses	9	495,723,664.86	267,388,749.51	VIII. note60
△ Surrender value	10			
△ Net payments for insurance claims	11	872,608,563.98	775,943,194.35	VIII. note61
△ Net provision for insurance contracts	12	17,327,088.11	24,428,397.47	VIII. note62 VIII. note63 VIII. note64
△ Expenditures dividend policy	13			
△ Reinsurance expenses	14	-18,860,051.67	-11,950,647.48	VIII. note65
Taxes and surcharges	15	460,624,413.96	362,193,286.02	
Selling expenses	16	2,411,320,839.69	2,401,804,783.61	VIII. note66
Administrative expenses	17	2,708,473,369.82	2,387,776,412.28	VIII. note67
Research and development expenses	18	242,481,128.32	223,620,406.20	VIII. note68
Financial expenses	19	5,956,357,733.73	5,182,960,828.62	VIII. note69
Including: Interest expense	20	7,325,225,321.72	6,317,337,429.31	VIII. note69
Interest revenue	21	1,465,008,253.19	1,392,507,730.03	VIII. note69
Foreign exchange gains	22	130,562,002.72		VIII. note69
Foreign exchange losses	23		8,921,946.27	VIII. note69
Asset impairment loss	24	2,073,907,499.14	979,292,057.36	VIII. note70
Others	25			
Add: Other income	26	652,924,958.42	632,985,065.66	VIII. note74
Investment income (or less: losses)	27	6,971,043,700.05	2,829,801,639.76	VIII. note73
Including: investment income from associates and joint ventures	28	453,439,739.37	239,929,353.29	VIII. note73
Gains on foreign exchange (or less: losses)	29	18,883,879.67	-2,784,209.44	
Gains on changes of fair value (or less: losses)	30	-286,938,841.40	-111,407,614.16	VIII. note72
Gains on disposal of non-current assets (or less: losses)	31	-4,325,434.58	-21,033,055.89	VIII. note71
3. Operating profit ("—" for loss)	32	7,650,908,147.33	6,812,981,608.64	
Add: Non-operating revenue	33	325,709,975.09	405,717,610.73	VIII. note75
Including: Government grants	34	59,767,235.28	27,941,131.41	VIII. note75
Gains from debt restructure	35		628,710.38	VIII. note75
Less: Non-operating expenditures	36	889,252,992.83	563,431,321.67	VIII. note76
Including: Losses from debt restructure	37	163,020.09	4,114,605.09	VIII. note76
4. Profit before tax (or less: total loss)	38	7,087,365,129.59	6,655,267,897.70	
Less: income tax	39	1,213,661,230.26	1,839,089,293.98	VIII. note77
5. Net profit ("—" for loss)	40	5,873,703,899.33	4,816,178,603.72	
Classified by ownership:	41			
Net profit attributable to owners of parent company	42	2,954,961,547.80	2,773,370,079.44	
Minority interest income	43	2,918,742,351.53	2,042,808,524.28	
Classified by going concern method:	44			
Income of continuing operating	45	5,873,703,899.33	4,816,178,603.72	
Income of terminate operating	46			
6. Other comprehensive income after tax	47	108,487,778.13	-198,782,168.01	
Other comprehensive income after tax attributable to parent company	48	11,453,509.89	-110,201,994.44	VIII. note78
(a) Other comprehensive income can not be reclassified into the profit and loss in the future	49	160,313,249.31		VIII. note78
Including: Changes in remeasurement on the net defined benefit liability/asset	50			
Items attributable to investees under equity method that will not reclassified to profit or loss	51	160,313,249.31		VIII. note78
Others	52			
(b) Other comprehensive income will reclassified into the gains and losses	53	-148,859,739.42	-110,201,994.44	VIII. note78
Including: Items attributable to investees under equity method that may be reclassified to profit or loss	54	166,553,486.95	15,056,999.75	VIII. note78
Changes in the fair value of available for sale financial assets	55	-106,607,283.25	-91,716,238.09	VIII. note78
Financial assets gains and losses hold to maturity investments which are classified as available for sale	56			
Effective part of cash flow hedging profit and loss	57			
Discount difference of foreign currency financial statements	58	-208,805,943.12	-33,542,756.10	VIII. note78
Others	59			
Other comprehensive income after tax attributable to non-controlling interest	60	97,034,268.24	-88,580,173.57	
7. Total comprehensive income	61	5,982,191,677.46	4,617,396,435.71	
Including: Items attributable to parent company	62	2,966,415,057.69	2,663,168,085.00	
Items attributable to minority interest	63	3,015,776,619.77	1,954,228,350.71	
8. Earnings per share:	64			
Basic EPS	65			
Diluted EPS	66			

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Cash Flow Statement

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item	NO.	Amount for the current period	Amount for the prior period	Notes NO.
1. Cash flows from operating activities :	1			
Cash receipts from the sale of goods and the rendering of services	2	66,676,099,763.10	62,691,937,806.68	
△Net increase of customer deposits and interbank deposits	3	-199,564,288.59	745,742,979.62	
△Net increase of borrowings from Central Bank	4	480,499,394.00	1,025,952,062.50	
△Net increase of loans from other financial institutions	5	-1,573,662,092.63	9,322,638,786.77	
△Cash received from primary insurance premium	6	1,836,620,596.12	1,697,777,051.39	
△Net cash received from reinsurance business	7	-37,533,474.49	-12,407,648.89	
△Net increase of ensured's savings and investment	8			
△Net increase of the disposal of financial assets whose changes included in the current profits and losses at fair value measurement	9			
△Cash received from interest charges, fees and commissions	10	9,176,031,838.54	4,766,419,462.17	
△Net increase of loans from other banks	11			
△Net increase of repurchase business capital	12			
Tax refunds	13	9,979,801.98	9,723,801.92	
Cash receipts from other operating activities	14	67,733,304,344.68	48,744,948,706.82	
Subtotal of cash inflows from operating activities	15	144,101,775,882.71	128,992,733,008.98	
Cash paid for goods and services	16	58,162,070,810.03	47,773,909,491.41	
△Net increase of customers loans and advances	17	11,855,557,534.89	12,338,190,560.96	
△Net increase of deposit from Central Bank and other banks	18	-4,348,648,641.18	-424,103,457.42	
△Cash payment of claims for original insurance contract	19	901,533,816.92	772,011,727.02	
△Cash payment of interests, fees and commissions	20	6,007,538,814.90	3,685,167,924.32	
△Cash payment of policy dividend	21			
Cash paid to and on behalf of employees	22	5,309,074,499.70	4,914,844,386.63	
Cash payment of all types of taxes	23	4,544,327,084.48	3,939,533,195.18	
Cash paid relating to other operating activities	24	53,784,386,587.19	41,872,651,064.64	
Subtotal of cash outflows from operating activities	25	136,215,840,506.93	114,872,204,892.74	
Net amount of cash flows from operating activities	26	7,885,935,375.78	14,120,528,116.24	VIII note79
2. Cash flows from investment activities :	27			
Cash received from disposal of investments	28	164,964,112,948.08	111,376,361,950.45	
Cash received from returns on investments	29	4,080,414,387.32	5,180,645,010.56	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	30	93,655,684.24	101,890,341.28	
Cash received from disposal of subsidiary and other operation investment	31	1,689,531,927.89	806,230,081.26	
Cash received from other activities related to investment	32	11,102,876,225.52	4,931,386,136.33	
Subtotal of cash inflows from investment activities	33	181,930,591,173.05	122,396,513,519.88	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	39,795,868,687.39	34,022,605,277.30	
Cash paid to acquire investments	35	180,522,986,523.22	166,880,528,145.96	
△Net increase of pledge loans	36			
Net cash paid for acquisition of subsidiary and other operation	37	32,988,476.07	84,516,099.28	
Cash payment of other activities related to investment	38	12,432,820,997.27	12,435,150,203.54	
Subtotal of cash outflows from investment activities	39	232,784,664,683.95	213,422,799,726.08	
Net amount of cash flows from investment activities	40	-50,854,073,510.90	-91,026,286,206.20	
3. Cash flows from financing activities :	41			
Cash received from absorption of investment	42	24,446,052,939.55	30,620,356,797.08	
Including: Cash received from absorption of minority shareholders investment subsidiary	43	9,218,297,347.05	9,475,953,881.00	
Cash received from borrowing money	44	79,214,078,039.34	74,607,769,921.36	
△Cash received from issue bonds	45	2,300,000,000.00	74,136,986,445.83	
Cash received from other activities related to financing	46	7,255,381,540.01	8,172,038,545.57	
Subtotal of cash inflows from financing activities	47	113,215,512,518.90	187,537,151,709.84	
Cash repayments of amounts borrowed	48	48,821,541,664.14	112,658,495,687.85	
Cash payment of the distribution of dividends, profits or interest	49	12,143,246,259.45	8,331,512,248.71	
Including Dividends, profits paid to minority shareholders by subsidiary	50	857,956,141.81	583,158,698.99	
Cash payments relating to other financing activities	51	11,034,171,599.49	3,411,287,010.59	
Subtotal of cash outflows from financing activities	52	71,998,959,523.08	124,401,294,947.15	
Net amount of cash flows from financing activities	53	41,216,552,995.82	63,135,856,762.69	
4. Influence of foreign exchange rate on cash and cash equivalents	54	118,969,128.54	-83,925,735.81	
5. Net increase in cash and cash equivalents	55	-1,632,616,010.76	-13,853,827,063.08	VIII note79
Add Opening balance of cash and cash equivalent	56	38,231,431,666.60	52,085,258,729.68	VIII note79
6. Closing balance of cash and cash equivalents	57	36,598,815,655.84	38,231,431,666.60	VIII note79

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Statement of Changes in Owners' Equity

Monetary Unit: RMB

Company: Shandong Hi-Speed Group Co., Ltd

Year 2018

Item		NO.	Amount for the current year													Non-controlling interest	Total equity
			Equity attributable to parent company														
			Less:														
			treasury shares														
Paid in capital (or share capital)		1	Preference share		Other equity instruments		Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profit	Others	Total			
		2	3	4	5	6	7	8	9	10	11	12	13	14	15		
I. Balance at the end of last year		1	20,056,415,393.29	20,100,000,000.00		12,834,340,904.09	150,094,384.50	162,060,381.09	1,137,059,283.25	893,161,152.86	9,488,687,217.98		64,821,818,617.06	90,591,593,824.31	155,413,412,441.37		
Add: Changes in accounting policies		2															
Error correction at earlier stage		3															
Others		4															
II. Balance at the beginning of the year		5	20,056,415,393.29	20,100,000,000.00		12,834,340,904.09	150,094,384.50	162,060,381.09	1,137,059,283.25	893,161,152.86	9,488,687,217.98		64,821,818,617.06	90,591,593,824.31	155,413,412,441.37		
III. Change amount of this year ("+" for increase, "-" for decrease)		6	3,281,920,269.71	5,900,000,000.00		-3,265,288,736.01	14,543,922.31	48,358,565.29	192,747,167.37	89,665,701.64	993,339,172.97		7,257,286,063.28	15,099,758,577.49	22,357,044,640.77		
IV. Overall comprehensive income		7					11,453,509.89				2,954,961,547.80		2,966,415,057.69	3,015,776,619.77	5,982,191,677.46		
V. Input and reduction of the owner's capital		8						16,651,533.70	3,090,412.42			-132,765,728.18	5,786,956,217.94	12,940,962,073.71	18,727,918,291.67		
1. Common stock input by owner		9						12,228,436.57					12,228,436.57	9,872,185,235.36	9,884,413,671.93		
2. Capital input by other equity instruments holder		10					5,900,000,000.00						5,900,000,000.00	500,000,000.00	6,400,000,000.00		
3. The amount of stocks paid into the owner's equity		11						4,403,097.13					4,403,097.13	2,542,946.62	6,946,043.75		
4. Others		12							3,090,412.42			-132,765,728.18	-129,675,315.76	2,566,233,891.75	2,436,558,575.99		
VI. The extraction and use of special reserve		13								48,358,565.29			48,358,565.29	3,632,097.79	51,990,663.08		
1. Extraction of special reserve		14							189,152,827.07				189,152,827.07	80,825,499.19	269,978,326.26		
2. Use of special reserve		15								-140,794,261.78			-140,794,261.78	-77,193,401.40	-217,987,663.18		
VII. Profit distribution		16											-1,544,443,777.64	-860,612,213.80	-2,405,055,991.44		
1. Withdrawal of surplus reserves		17								192,747,167.37			192,747,167.37				
Including statutory surplus reserves		18								192,747,167.37			192,747,167.37				
discretionary surplus reserves		19															
2. Reserve fund		20															
3. Enterprise expansion fund		21															
4. Profits capitalized on return of investment		22															
5. Extraction of provision for normal risks		23															
6. Distribution to the owners (or stockholders)		24								89,665,701.64	-89,665,701.64		-1,544,443,777.64	-924,034,403.91	-2,488,478,181.55		
7. Others		25															
VIII. Internal transfer of owner's equity		26	3,281,920,269.71			-3,281,920,269.71											
1. Capital reserve transferred to paid-in capital (or share capital)		27	3,281,920,269.71			-3,281,920,269.71											
2. Surplus reserve transferred to paid-in capital (or share capital)		28															
3. Surplus reserve used to offset losses		29															
4. Changes of carry over to the remeasurement of net liabilities or net assets		30															
5. Others		31															
IX. Balance at the end of the year		32	23,338,335,563.00	26,000,000,000.00		9,569,032,168.08	164,638,306.81	210,418,946.38	1,329,806,450.62	982,826,854.50	10,484,026,390.95		72,079,104,680.34	105,691,352,401.80	177,770,457,082.14		

Person in charge of accounting department: Liang Zhanhui

Chief Accountant: Wang Sijun

Consolidated Statement of Changes in Owners' Equity(Continued)

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item		NO.	Amount for the last year																Non-controlling interest	Total equity
			Equity attributable to parent company																	
			Paid in capital (or share capital)			Other equity instruments		Capital reserve	Less treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profit	Others	Total				
			Preference share	Perpetual bond	Others															
NO.	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30					
I. Balance at the end of last year	1	20,056,415,293.29		12,500,000,000.00		7,748,833,773.08		260,296,378.94	155,127,660.51	1,090,703,720.32	737,762,978.19	7,727,252,076.24	50,276,391,880.57	61,857,165,460.65	112,133,557,341.22					
Add: Changes in accounting policies	2																			
Error correction at earlier stage	3																			
Others	4																			
II. Balance at the beginning of the year	5	20,056,415,293.29		12,500,000,000.00		7,748,833,773.08		260,296,378.94	155,127,660.51	1,090,703,720.32	737,762,978.19	7,727,252,076.24	50,276,391,880.57	61,857,165,460.65	112,133,557,341.22					
III. Change amount of this year ("+" for increase)	6			7,600,000,000.00		5,085,507,131.01		-110,201,994.44	6,932,720.58	46,355,562.93	155,398,174.67	1,761,435,141.74	14,545,426,776.49	28,734,428,363.66	41,279,855,100.15					
(I) Overall comprehensive income	7							-110,201,994.44				2,773,370,079.44	2,663,168,085.00	1,954,228,350.71	4,617,396,435.71					
(II) Input and reduction of the owner's capital	8			7,600,000,000.00		5,085,507,131.01							12,685,507,131.01	27,357,510,945.31	40,043,018,076.32					
1. Common stock input by owner	9																			
2. Capital input by other equity instruments holder	10			7,600,000,000.00		1,339,268,811.76							1,339,268,811.76	3,326,600,963.84	4,665,869,775.60					
3. The amount of stocks paid into the owner's equity	11												7,600,000,000.00		7,600,000,000.00					
4. Others	12																			
(III) The extraction and use of special reserve	13																			
1. Extraction of special reserve	14								6,932,720.58				6,932,720.58	-7,498,955.23	-526,232.65					
2. Use of special reserve	15								143,445,067.80				143,445,067.80	61,404,627.90	204,849,695.70					
(IV) Profit distribution	16								-136,512,347.22				-136,512,347.22	-68,863,581.13	-205,375,928.35					
1. Withdrawal of surplus reserves	17																			
Including statutory surplus reserves	18																			
discretionary surplus reserves	19																			
2. Reserve fund	20																			
Enterprise expansion fund	21																			
Profit capitalized on return of investment	22																			
2. Extraction of provision for normal risks	23																			
Distribution to the owners (or stockholders)	24																			
Others	25																			
(V) Internal transfer of owner's equity	26																			
1. Capital reserve transferred to paid-in capital (or share capital)	27																			
2. Surplus reserve transferred to paid-in capital (or share capital)	28																			
3. Surplus reserve used to offset losses	29																			
4. Changes of carry over to the measurement of net liabilities or net assets	30																			
Others	31																			
IV. Balance at the end of the year	32	20,056,415,293.29		20,100,000,000.00		12,834,340,904.09		150,094,384.50	162,060,381.09	1,137,059,283.25	893,161,152.86	9,483,687,217.98	64,821,818,617.06	90,591,593,824.31	155,413,412,441.37					

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Shun

Person in charge of accounting department: Liang Zhanbia

Balance Sheet

Company: Shandong Hi-Speed Group Co., Ltd.

31 December, 2018

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current assets:	1			
Cash and cash equivalents	2	4,887,237,312.28	2,221,797,630.27	
△ Deposit Reservation for Balance	3			
△ Loan to other banks	4			
Financial assets measured at fair value through profits and losses of the current period	5			
Derivative financial assets	6			
Receivables	7	11,989,363.14	15,455,977.40	XII.1
Prepayments	8	239,309,619.77	76,688,497.28	
△ Premiums receivable	9			
△ Reinsurance accounts receivable	10			
△ Reinsurance reserves receivable	11			
Other receivables	12	30,357,803,121.14	21,681,820,062.83	XII.2
△ Redemptory financial assets for sale	13			
Inventories	14	22,636,325.37	32,476,136.75	
Including: Raw materials	15	22,636,325.37	32,476,136.75	
Goods on hand (finished products)	16			
Classified as held for sale of assets	17			
Non-current assets due within one year	18			
Other current assets	19			
Total current assets	20	35,518,975,741.70	24,028,238,304.53	
Non-current assets:	21			
△ Loans and advances	22			
Available-for-sale financial assets	23	1,983,806,405.52	1,744,942,999.04	
Held-to-maturity investment	24			
Long-term account receivable	25			
Long-term equity investment	26	72,435,183,252.96	60,740,408,732.22	XII.3
Investment real estate	27			
Fixed Assets	28	9,096,950,245.11	17,257,768,805.14	
Construction in process	29	322,612,181.98	204,233,200.61	
Productive biological assets	30			
Oil and gas assets	31			
Intangible assets	32	10,249,656,522.70	13,925,260,817.35	
Development expenditure	33			
Goodwill	34			
Long-term deferred expenses	35		32,002,841.30	
Deferred tax assets	36	140,301,483.33	121,728,067.19	
Other non-current assets	37	3,433,161,862.40	4,544,664,498.73	
Including: special reserve materials	38			
Total non-current assets	39	97,661,671,954.00	98,571,009,961.58	
	40			
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	57			
	58			
Total assets	59	133,180,647,695.70	122,599,248,266.11	

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Balance Sheet (Continued)

Company: Shandong Hi-Speed Group Co., Ltd.		31 December, 2018		Monetary Unit: RMB
Item	NO.	Closing balance	Opening balance	Notes NO.
Current liability:	60			
Short-term borrowing	61	1,800,000,000.00	3,000,000,000.00	
△Borrowing from the Central Bank	62			
△Deposits from customers and interbank	63			
△Loan from other banks and other financial institutions	64			
Financial liabilities measured at fair value through profits and losses of the current period	65			
Derivative financial liabilities	66			
Payables	67	477,959,954.60	607,369,213.08	
Advances received	68	774,227,489.65	427,976,316.22	
△Financial assets sold for repurchase	69			
△Handling fee and commission	70			
Employee benefits payable	71	216,007,793.94	214,210,380.66	
Including: Accrued payroll	72	200,575,907.49	200,575,907.49	
Welfare benefits payable	73			
#Including: Employee bonus and welfare fund	74			
Taxes and surcharges payable	75	39,364,564.06	125,895,372.14	
Including: Taxes payable	76	36,704,879.44	15,858,449.34	
Other payables	77	21,916,053,461.74	14,447,656,661.81	
△Reinsurance payable	78			
△Provision for insurance contracts	79			
△Acting trading securities	80			
△Acting underwriting securities	81			
Classified as held for sale debt	82			
Non-current liabilities due within one year	83	126,673,400.00	2,879,935,000.00	
Other current liabilities	84	5,500,000,000.00	8,500,000,000.00	
Total current liabilities	85	30,850,286,663.99	30,203,042,943.91	
non-current liability:	86			
Long-term borrowing	87	5,202,499,000.00	4,261,312,400.00	
Bonds payable	88	31,000,000,000.00	28,575,000,000.00	
Including: Preference share	89			
Perpetual bond	90			
Long-term payables	91	6,287,691.04	6,287,691.04	
Long-term employee benefits payable	92			
Accrued liabilities	93			
Deferred revenue	94	1,468,328,555.67	1,123,723,860.53	
Deferred tax liabilities	95	991,494,676.68	991,494,676.68	
Other non-current liabilities	96			
Including: special reserve fund	97			
Total non-current liabilities	98	38,668,609,923.39	34,957,818,628.25	
Total liabilities	99	69,518,896,587.38	65,160,861,572.16	
Equity:	100			
Paid-in capital (or share capital)	101	23,338,335,563.00	20,056,415,293.29	
Other equity instruments	102	26,000,000,000.00	20,100,000,000.00	
Including: Preference share	103			
Perpetual bond	104	26,000,000,000.00	20,100,000,000.00	
Capital reserve	105	6,815,881,050.41	10,097,801,320.12	
Minus: Treasury shares	106			
Other Comprehensive Income	107	172,617,926.40	232,281,408.05	
Including: the foreign currency statement translation difference	108			
Special reserves	109			
Surplus reserves	110	1,329,806,450.62	1,137,059,283.25	
Including: statutory surplus reserves	111	1,329,806,450.62	1,137,059,283.25	
discretionary surplus reserves	112			
△Provision for normal risks	113			
Undistributed profit	114	6,005,110,117.89	5,814,829,389.24	
Total owners' equity belongs to parent company	115			
* Minority equity	116			
Total equity	117	63,661,751,108.32	57,438,386,693.95	
Total liabilities and equity	118	133,180,647,695.70	122,599,248,266.11	

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Income Statement

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item	NO	Amount for the current period	Amount for the prior period	Notes NO
1. Overall operating revenue	1	2,048,403,145.09	2,713,900,695.77	
Including: operating revenue	2	2,048,403,145.09	2,713,900,695.77	XII 4
△ Interest proceed	3			
△ Earned premium	4			
△ Revenue from handling charges and commissions	5			
2. Overall operating costs	6	2,440,757,213.56	3,278,788,028.48	
Including: operating costs	7	1,565,933,690.03	1,567,453,511.05	
△ Interest expense	8			
△ Handling charges and commissions expenses	9			
△ Surrender value	10			
△ Net payments for insurance claims	11			
△ Net provision for insurance contracts	12			
△ Expenditures dividend policy	13			
△ Reinsurance expenses	14			
Taxes and surcharges	15	32,430,291.44	20,344,585.00	
Selling expenses	16			
Administrative expenses	17	416,080,029.23	270,159,322.11	
Research and development expenses	18			
Financial expenses	19	352,011,442.14	1,488,764,015.36	
Including: Interest expense	20	2,167,897,345.78	2,086,382,974.88	
Interest revenue	21	1,849,500,932.83	627,701,519.45	
Foreign exchange gains	22	5,312,354.98		
Foreign exchange losses	23		1,106,891.68	
Asset impairment loss	24	74,301,760.72	-67,933,405.04	
Others	25			
Add: other income	26	52,395,304.86	1,276,139.47	
Investment income (or less: losses)	27	2,256,975,842.32	1,043,256,426.68	XII 5
Including: investment income from associates and joint ventures	28	11,932,357.23	9,694,304.12	XII 5
Gains on foreign exchange (or less: losses)	29			
Gains on changes of fair value (or less: losses)	30			
Gains on disposal of non-current assets (or less: losses)	31		-20,424.85	
3. Operating profit ("—" for loss)	32	1,917,017,078.71	479,624,808.59	
Add: Non-operating revenue	33	4,569,037.02	11,195,161.79	
Including: Government grants	34	500,000.00		
Gains from debt restructure	35			
Less: Non-operating expenditures	36	12,687,858.21	5,250,556.58	
Including: Losses from debt restructure	37			
4. Profit before tax (or less: total loss)	38	1,908,898,257.52	485,569,413.80	
Less: income tax	39	-18,573,416.14	16,639,046.31	
5. Net profit ("—" for loss)	40	1,927,471,673.66	468,930,367.49	
Classified by ownership:	41			
Net profit attributable to owners of parent company	42			
Minority interest income	43			
Classified by going concern method:	44			
Income of continuing operating	45	1,927,471,673.66	468,930,367.49	
Income of terminate operating	46			
6. Other comprehensive income after tax	47	-59,663,481.65	15,765,726.51	
Other comprehensive income after tax attributable to parent company	48			
(a) other comprehensive income can not be reclassified into the profit and loss in the future	49			
Including: Changes in remeasurement on the net defined benefit liability/asset	50			
Items attributable to investees under equity method that will not reclassified to profit or loss	51			
Others	52			
(b) Other comprehensive income will reclassified into the gains and losses	53	-59,663,481.65	15,765,726.51	
Including: Items attributable to investees under equity method that may be reclassified to profit or loss	54	-526,888.13	1,410,104.17	
Changes in the fair value of available for sale financial assets	55	-59,136,593.52	14,355,622.34	
Financial assets gains and losses hold to maturity investments which are classified as available for sale	56			
Effective part of cash flow hedging profit and loss	57			
Discount difference of foreign currency financial statements	58			
Others	59			
Other comprehensive income after tax attributable to non-controlling interest	60			
7. Total comprehensive income	61	1,867,808,192.01	484,696,094.00	
Including: Items attributable to parent company	62			
Items attributable to minority interest	63			
8. Earnings per share:	64			
Basic EPS	65			
Diluted EPS	66			

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Cash Flow Statement

Company Shandong Hi-Speed Group Co., Ltd.		Year 2018		Monetary Unit RMB
Item	NO	Amount for the current period	Amount for the prior period	Notes NO
1. Cash flows from operating activities :	1			
Cash receipts from the sale of goods and the rendering of services	2	2,492,518,170.51	2,471,416,774.22	
△Net increase of customer deposits and interbank deposits	3			
△Net increase of borrowings from Central Bank	4			
△Net increase of loans from other financial institutions	5			
△Cash received from primary insurance premium	6			
△Net cash received from reinsurance business	7			
△Net increase of ensured's savings and investment	8			
△Net increase of the disposal of financial assets whose changes included in the current profits and losses at fair value measurement	9			
△Cash received from interest charges, fees and commissions	10			
△Net increase of loans from other banks	11			
△Net increase of repurchase business capital	12			
Tax refunds	13			
Cash receipts from other operating activities	14	19,228,020,398.54	8,439,977,631.28	
Subtotal of cash inflows from operating activities	15	21,720,538,569.05	10,911,394,405.50	
Cash paid for goods and services	16	539,229,918.57	324,613,109.81	
△Net increase of customers loans and advances	17			
△Net increase of deposit from Central Bank and other banks	18			
△Cash payment of claims for original insurance contract	19			
△Cash payment of interests, fees and commissions	20			
△Cash payment of policy dividend	21			
Cash paid to and on behalf of employees	22	117,395,817.45	270,395,002.25	
Cash payment of all types of taxes	23	166,586,020.78	124,190,073.52	
Cash paid relating to other operating activities	24	11,466,817,290.59	16,519,673,724.83	
Subtotal of cash outflows from operating activities	25	12,290,029,047.39	17,238,871,910.41	
Net amount of cash flows from operating activities	26	9,430,509,521.66	-6,327,477,504.91	XII.6
2. Cash flows from investment activities :	27			
Cash received from disposal of investments	28	2,766,382,620.00		
Cash received from returns on investments	29	800,123,660.82	1,020,885,279.20	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	30		306,206.00	
Cash received from disposal of subsidiary and other operation department	31		5,360,000.00	
Cash received from other activities related to investment	32	26,248,146.02	34,000.00	
Subtotal of cash inflows from investment activities	33	3,592,754,426.84	1,026,585,485.20	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	650,190,357.05	482,748,808.23	
Cash paid to acquire investments	35	8,993,696,021.67	5,310,154,232.32	
△Net increase of pledge loans	36			
Net cash paid for acquisition of subsidiary and other operation	37		251,000,000.00	
Cash payment of other activities related to investment	38			
Subtotal of cash outflows from investment activities	39	9,643,886,378.72	6,043,903,040.55	
Net amount of cash flows from investment activities	40	-6,051,131,951.88	-5,017,317,555.35	
3. Cash flows from financing activities :	41			
Cash received from absorption of investment	42	6,894,000,000.00	7,584,000,000.00	
Including: Cash received from absorption of minority shareholders investment subsidiary	43			
Cash received from borrowing money	44	22,351,000,000.00	26,957,250,000.00	
△Cash received from issue bonds	45			
Cash received from other activities related to financing	46			
Subtotal of cash inflows from financing activities	47	29,245,000,000.00	34,541,250,000.00	
Cash repayments of amounts borrowed	48	26,708,792,300.00	19,792,029,320.14	
Cash payment of the distribution of dividends, profits or interest	49	3,238,425,140.35	3,167,613,532.04	
Including: Dividends, profits paid to minority shareholders by subsidiary	50			
Cash payments relating to other financing activities	51	20,480,497.71	24,518,926.95	
Subtotal of cash outflows from financing activities	52	29,967,697,938.06	22,984,161,779.13	
Net amount of cash flows from financing activities	53	-722,697,938.06	11,557,088,220.87	
4. Influence of foreign exchange rate on cash and cash equivalents	54	50.29	-222,612.25	
5. Net increase in cash and cash equivalents	55	2,656,679,682.01	212,070,548.36	XII.6
Add: Opening balance of cash and cash equivalent	56	1,950,597,630.27	1,738,527,081.91	XII.6
6. Closing balance of cash and cash equivalents	57	4,607,277,312.28	1,950,597,630.27	XII.6

Legal Representative: Zou Qingzhong

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Statement of Changes in Owners' Equity

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item	NO.	Amount for the current year												Total equity
		Paid in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profit	Others	
			Preference share	Perpetual bond	Others									
		1	2	1	4	5	6	7	8	9	10	11	12	13
I. Balance at the end of last year	1	20,056,415,293.29		20,100,000,000.00		10,097,801,320.12		232,281,408.05		1,137,059,203.25		5,814,829,389.24		57,436,366,693.95
Add: Changes in accounting policies	2													
Error correction at earlier stage	3													
Others	4													
II. Balance at the beginning of the year	5	20,056,415,293.29		20,100,000,000.00		10,097,801,320.12		232,281,408.05		1,137,059,203.25		5,814,829,389.24		57,436,366,693.95
III. Change amount of this year ("+" for increase)	6	3,281,920,269.71		5,900,000,000.00		-3,281,920,269.71		-59,663,481.65		192,747,167.37		190,280,728.65		6,223,364,414.37
(I) Overall comprehensive income	7							-59,663,481.65				1,927,471,673.66		1,867,808,192.01
(II) Input and reduction of the owner's capital	8			5,900,000,000.00										5,900,000,000.00
1. Common stock input by owner	9													
2. Capital input by other equity instruments holder	10			5,900,000,000.00										5,900,000,000.00
3. The amount of stocks paid into the owner's equity	11													
4. Others	12													
(III) The extraction and use of special reserve	13													
1. Extraction of special reserve	14													
2. Use of special reserve	15													
(IV) Profit distribution	16													
1. Withdrawal of surplus reserves	17									192,747,167.37		-1,737,190,945.01		-1,544,443,777.64
Including: statutory surplus reserves	18									192,747,167.37		-192,747,167.37		
discretionary surplus reserves	19									192,747,167.37		-192,747,167.37		
2. Reserve fund	20													
3. Enterprise expansion fund	21													
4. Profit capitalization on return of investment	22													
5. Extraction of provision for normal risks	23													
6. Distribution to the owners (or stockholders)	24											-1,544,443,777.64		-1,544,443,777.64
4. Others	25													
(V) Internal transfer of owner's equity	26	3,281,920,269.71				-3,281,920,269.71								
1. Capital reserve transferred to paid-in capital (or share capital)	27	3,281,920,269.71				-3,281,920,269.71								
2. Surplus reserve transferred to paid-in capital (or share capital)	28													
3. Surplus reserve used to offset losses	29													
4. Changes of carry over to the remeasurement of net liabilities or net assets	30													
5. Others	31													
IV. Balance at the end of the year	32	23,338,335,563.00		26,000,000,000.00		6,815,881,050.41		172,617,926.40		1,329,806,430.62		6,005,110,117.89		63,661,751,106.32

Person in charge of accounting Department: Liang Zhaozhan
Chief Accountant: Wang Sijun

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Legal Representative: Zou Qingzhong

Statement of Changes in Owners' Equity(Continued)

Company: Shandong Hi-Speed Group Co., Ltd.

Year 2018

Monetary Unit: RMB

Item	NO.	Amount for the current year													Total equity
		Paid in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profit	Others		
			Preference share	Perpetual bond	Others										
		14	15	16	17	18	19	20	21	22	23	24	25	26	
NO.	—														
I. Balance at the end of last year	1	20,056,415,293.29		12,500,000,000.00		6,813,441,852.24		216,515,681.54		1,090,703,720.32		6,175,902,718.16		46,852,979,265.55	
Add: Changes in accounting policies	2														
Error correction at earlier stage	3														
Others	4														
II. Balance at the beginning of the year	5	20,056,415,293.29		12,500,000,000.00		6,813,441,852.24		216,515,681.54		1,090,703,720.32		6,203,435,784.78		46,879,512,332.17	
III. Change amount of this year ("+" for increase)	6			7,600,000,000.00		3,284,359,467.88		15,765,726.51		46,355,562.93		-387,606,395.54		10,538,874,361.78	
(I) Overall comprehensive income	7							15,765,726.51				468,930,367.49		484,696,094.00	
(II) Input and reduction of the owner's capital	8							3,284,359,467.88						10,894,359,467.88	
1. Common stock input by owner	9														
2. Capital input by other equity instruments holder	10			7,600,000,000.00										7,600,000,000.00	
3. The amount of stocks paid into the owner's equity	11														
4. Others	12					3,284,359,467.88								3,284,359,467.88	
(III) The extraction and use of special reserve	13														
1. Extraction of special reserve	14														
2. Use of special reserve	15														
(IV) Profit distribution	16														
1. Withdrawal of surplus reserves	17									46,355,562.93		-856,536,763.03		-810,181,200.10	
Including statutory surplus reserves	18									46,355,562.93		-46,355,562.93			
discretionary surplus reserves	19														
#Reserve fund	20														
#Enterprise expansion fund	21														
#Profit capital and on return of investment	22														
2. Extraction of provision for normal risks	23														
3. Distribution to the owners (or stockholders)	24											-810,181,200.10		-810,181,200.10	
4. Others	25														
(V) Internal transfer of owner's equity	26														
1. Capital reserve transferred to paid-in capital (or share capital)	27														
2. Surplus reserve transferred to paid-in capital (or share capital)	28														
3. Surplus reserve used to offset losses	29														
4. Changes of carry over to the remeasurement of net liabilities or net assets	30														
5. Others	31														
IV. Balance at the end of the year	32	20,056,415,293.29		20,100,000,000.00		10,097,801,320.12		232,281,408.05		1,137,059,283.25		5,814,829,389.24		57,438,386,693.95	
Chief Accountant: Wang Sijun															
Person in charge of accounting department: Liang Zhinlai															

Person in charge of accounting department: Liang Zhunhai

Chief Accountant: Wang Sijun

Legal Representative: Zou Qingchong

Shandong Hi-Speed Group Co., Ltd

Notes to Financial Statements of 2018

(Unless otherwise stated, all amounts are denominated in RMB)

I. General Introduction

(I) Domicile, organization form and headquarter address

Shandong Hi-Speed Group Co., Ltd (hereinafter referred to as the Company) is formerly named Shandong Expressway Co., Ltd which was established in July 1997. In July 1999, according to LU ZHENG ZI (1999) No. 136 document Reply of People's Government of Shandong Province on Approving Establishment of Shandong Expressway Limited Liability Company, name of the Company was changed to Shandong Expressway Limited Liability Company; it then be changed to Shandong Expressway Group Co., Ltd in 2005; according to Reply on Name Change and Articles of Incorporation Amendment of Shandong Expressway Group Co., Ltd (LU GUO ZI QI GAI HAN [2008] No. 11) issued by State-owned Assets Supervision and Administration Commission of Shandong Provincial Government in 2008, name of the Company was changed to Shandong Hi-Speed Group Co., Ltd and registered in Shandong Administration For Industry and Commerce. The company is a limited company which engages in investment, construction, operation of transportation infrastructure and intelligent transportation, comprehensive development of supporting land, logistics and related ancillary services and financial assets investment and management.

The registered address and the headquarter of the Company is located at No.8, Long'ao Bei Road, Lixia District, Jinan City, Shandong Province and register capital is RMB 23,338,335,563 . Legal Representative: Zou Qingzhong.

(II) Nature of business and Main business activities of the enterprise

The company is in the field of highway management and maintenance industry, mainly engaged in construction, management, maintenance, operation, development and toll of highway, bridge, railway, port and airport; comprehensive development and operation of highway, bridge and area along the railway; design, consultation, scientific research and construction of civil works and communication engineering, and real estate development and operation (operation of above requires licenses); sales of building materials; machinery and electric equipment leasing; advertising business.(Business activities require prior approval are carried out with proper approval from relevant authorities.)

(III) Name of parent company and ultimate controlling party

The actual controller of the company is Shandong Provincial State-owned Assets Supervision and Administration. It directly holds 70.00% of the company's shares.

(IV) Authorization of financial statements

This financial statement is authorized by the board of directors of the Company on 29 April, 2019.

(V) Introduction of principle business segments

The company's business segments consist of highway, railway operation, logistics industry, port shipping, construction, banking and insurance, resource and real estate and international business, among which high way operation and management is the core business segment of the Hi-Speed Group.

Main toll roads and bridges operated and managed by Company are shown as below:

company name	Name	Length (km)
Shandong High-Speed Group Co., Ltd.	Beijing-Taipei Expressway, Tai'an-Qufu Section	49.863
Shandong High-Speed Group Co., Ltd.	Beijing-Taipei Expressway, Qufu-Zhangshan Section	143.291
Shandong High-Speed Group Co., Ltd.	Qingdao-Yinchuan Expressway, Qihai-Xiaojin Section	87.601
Shandong High-Speed Group Co., Ltd.	Yantai-Haiyang Expressway	80.613
Shandong High-Speed Group Co., Ltd.	Weifang-Rizhao Expressway Connection Line	34.20
Shandong Hi-Speed Company Limited	Beijing-Taipei Expressway, Dezhou-Qihai Section I	89.034
Shandong Hi-Speed Company Limited	Beijing-Taipei Expressway, Dezhou-Qihai Section 2	2.25
Shandong Hi-Speed Company Limited	Jinan Second Yellow River Highway Bridge	5.75
Shandong Hi-Speed Company Limited	Tai'an to Qufu First Class Highway ("Tai Qu Road")	64.166
Shandong Hi-Speed Company Limited	Qingyin Expressway, Jinan to Qingdao Section ("Jiqing Expressway")	318.5
Shandong Hi-Speed Company Limited	Lijin Yellow River Highway Bridge	1.35
Shandong Hi-Speed Company Limited	Beijing to Shanghai Highway (auxiliary line), Jinan to Laiwu Expressway ("Jile High Speed")	76.048
Shandong Hi-Speed Company Limited	Shanghai-Chengdu Expressway, Wuhan to Jingmen Section	183.214

company name	Name	Length (km)
Shandong Hi-Speed Company Limited	Erguang Expressway, Jiyuan to Jincheng (provincial boundary) Section (Jijin Expressway)	20.56
Shandong Hi-Speed Company Limited	Hunan Hengyang to Shaoyang Expressway ("Hengshao Expressway")	132.059
Shandong High - Speed Road Operation And Management Co., Ltd.	Beijing-Taipei Expressway, Qihhe to Jinan Section	21.971
Shandong High - Speed Road Operation And Management Co., Ltd.	Beijing-Taipei Expressway Jiqing Connection Line	16.376
Shandong High - Speed Road Operation And Management Co., Ltd.	Beijing-Taipei Expressway, Jinan to Tai'an Section	59.546
Shandong High - Speed Road Operation And Management Co., Ltd.	Weihai-Rushan Expressway	70.55
Shandong High - Speed Weilai Highway Co., Ltd.	Weifang-Laiyang Expressway	140.637
Shandong High-Speed Henan Xuyu Co., Ltd.	(Xuyi Expressway) Xuchang to Zhangzhou section of Henan Province	39.07
Shandong High-Speed Henan Xuyu Co., Ltd.	(Xu Wei Expressway) Xuchang to Zhangzhou Section of Henan Province	117.659
Shandong High- Speed Development Co., Ltd.	Rilan Expressway, Heze-Guanzhuang (Luyujie) Section	61.548
Shandong High- Speed Development Co., Ltd.	Linyi-Zaozhuang Expressway	88.633
Shandong High- Speed Development Co., Ltd.	Qingdao-Yinchuan Expressway Jinan Ring North Line	62.68
Shandong Huhe High-Speed Co., Ltd.	Deshang Expressway, Yucheng to Heze Section (Xi'an Expressway)	44.646
Shandong High - Speed Weiri Highway Co., Ltd.	Weifang to Rizhao Expressway, Chengcheng to Rizhao Section	152.21
Shandong High - Speed Longqing Highway Co., Ltd.	Longkou to Qingdao Expressway, Longkou to Laixi Section (Longqing Road)	67.103
Shandong High - Speed Qingdao Development Co., Ltd.	Jiaozhou Bay Bridge	26.737
Shandong High - Speed Qingdao Development Co., Ltd.	Qinglan Expressway - Jiaozhou Bay Section (not belongs to the group assets)	50.432

company name	Name	Length (km)
Laizhou Beilai Highway Investment Co., Ltd.	National Highway 206, Laizhou Jincheng Town to Tushan Town First Class Highway (Beilai Road)	68,146
Shandong High - Speed Sichuan Industrial Development Co., Ltd.	Sichuan Leshan to Yibin Expressway	137.778
Shandong High-Speed Sichuan Industrial Development Co., Ltd.	Sichuan Leshan to Zigong Expressway	113.20
Shandong High-Speed Yunnan Development Co., Ltd.	Yunnan Suolong to Mengzi Expressway	78.759
Shandong High-Speed Yunnan Development Co., Ltd.	Yunnan Mengzi Ring City High Speed, Yangji Section	17.782
Shandong High-Speed Yunnan Development Co., Ltd.	Yunnan Jishi Expressway (not belongs to the group assets)	95.047
Shandong High-Speed Yunnan Development Co., Ltd.	Yunnan Tongjian Expressway (not belongs to the group assets)	63.51
Shandong High-Speed Yunnan Development Co., Ltd.	Kunming Changshui International Airport Expressway	14.89
Total		2,897.41

II. Preparation basis of financial statement

The Company prepares the financial statements based on continuing operating, according to the transactions and events actually occurred and in accordance with the ASBE issued by the Ministry of Finance of PRC and supplementary regulations. The financial statements are prepared on the basis of the significant accounting policies and accounting estimates stated below.

III. Statement of conformity of Accounting Standards for Business Enterprises

Base on the above basis, the financial statement is compliance with the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance and truly and completely reflected the Company's financial position, result of operations, and cash flow for the year then ended and other related information.

IV. Significant accounting policies and accounting estimates

note 1 Accounting period

The Group's accounting period starts on 1 January and ends on 31 December.

note 2 Recording currency

The Company adopts RMB as the recording currency.

note 3 Bookkeeping basis and valuation principles

The accrual basis of the Company is the bookkeeping basis. When the Company measures accounting elements, it adopts historical cost in general; as for the situation that measurement is carried out according to the criterion by adopting replacement cost, net realizable value, present value or fair value and other attributes, the Company shall give a special description.

note 4 Business combination

1. Multi-steps transactions in the process of business combination will be treated as a package of deal if terms, conditions and economic effects of the transactions fall on the following one or several occasions:

- (1) These transactions are conducted at the same time or when influences on each other are taken into consideration;
- (2) The entirety of these transactions can reach one complete business result;
- (3) The occurrence of one transaction depends on occurrence of at least one other transaction;
- (4) On transaction is not economical independently but economical when it is considered with other transactions.

2. Business combination under the same control

(1) Individual financial statements

If the consideration of the company is that it will make payment in cash, transfer non-cash assets, bear its debts or issue equity securities, it shall, on the day of merger, regard the share of the carrying amount in consolidated financial statement of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the merger consideration payment shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. If contingent consideration exists and estimated liabilities or assets require for reorganization, the difference between a number of estimated liabilities or assets and a settlement amount of subsequent contingent consideration shall offset against the capital reserve (capital premium or share premium); if the capital reserve is insufficient, the retained earnings shall be adjusted.

As for the fact that business combination is realized through several transactions and it belongs to package deal, all transactions will be regarded as one transaction to acquire control right so as to carry out accounting treatment; if it does not belong to a package deal, when the control right is acquired, as for the balance between the initial investment cost in long-term equity investment and the sum of book value of long-term equity investment before combination and book value of consolidation newly paid for shares at the combination day, the capital reserve will

be adjusted; the retained earnings will be adjusted when the capital reserve is insufficient to be written down. As for equity investment held before combination day, accounting treatment will not be carried out temporarily for other comprehensive income recognized by adopting accounting by equity method or financial instruments for recognition and measurement criterion for checking until accounting treatment is carried out for it by adopting the basis which is the same with that invested organizations use to directly dispose relevant assets or liabilities at the time of disposing that investment; as for other changes of owner's equity except for net profit and loss, other comprehensive income and profit distribution in net assets of invested organization which is accounted by equity method, accounting treatment will not be carried out temporarily until the investment is transferred into current profit and loss at the time of being disposed.

Direct costs for the business combination shall, including the expenses for audit, assessment and legal services etc, be recorded in the profits and losses in the current period. Transaction costs directly related to issuing equity instruments as merging consideration shall offset against capital reserve; if the capital reserve is insufficient, offset surplus reserve and undistributed profits in turns. Transaction costs directly related to issuing debt instruments as merging consideration shall be included in debt instruments as initially recognized amount.

If the consolidated financial statements are presented by merged party, the initial investment cost of the long-term equity investment shall be determined on the basis of the owner's equity attributed to the parent company in the consolidated financial statements of merged parties on merging date.

(2) Consolidated financial statements

The assets and liabilities that the merging party obtains in a business combination shall be measured on the basis of the carrying amount in consolidated financial statements of the final controlling party of the merged party owner's equity on the date of combination.

For a business combination realized by multiple transactions, if it is a package deal, conduct accounting treatment by regarding all transactions as a transaction acquiring control; if it is not a package deal, changes on recognized relevant profits and losses, other comprehensive incomes and on other owner's equity of long-term investment between the period which starts from the acquisition date or the merging party and merged party are under common final control, which is later, to merging date shall offset beginning retained earning or profits and losses of current period in comparative statements period, respectively.

Where the accounting policy adopted by the merged party is different from that adopted by the merging party, the Company shall make adjustments according to accounting policies adopted by the Company on the date of merging and shall, pursuant to the enterprise accounting standards, recognize them on the basis of such adjustment.

3. Business combination not under the same control

(1) Determination method of acquisition date

The Company determined acquisition date by combining agreements of combination contract

or protocol and other relevant influential factors and on principle of substance over form. When following conditions are satisfied at the same time, it is deemed that transferring of control has been completed and acquisition date is formed. Relevant conditions include:

- 1) Enterprise combination contract or protocol has been approved by internal authorities of the Company such as shareholders meeting.
- 2) Combination Items need to be reviewed by relevant national authorities have been approved by them as required.
- 3) The Company and parties involved in the merger have completed essential property right transition procedures.
- 4) The Company has paid the majority of acquisition price (generally more than 50%) and is affordable and plans to pay residual payment.
- 5) The Company has in fact controlled finance and business policies of the acquisition, enjoys corresponding benefits and bears corresponding risks.

(2) Accounting treatment on merging date and preparation method of consolidated financial statements

For business combination not under common control, merging costs comprise paid assets, incurred to or born liabilities and fair value of issued equity instruments or debt instruments by the Company for obtaining control of acquire on the acquisition date. Future events agreed in merging contract that may affect the merging cost shall be, where it is estimated that the events are likely to happen and the amount incurred by its effects on merging cost can be calculated reliably on the acquisition date, also included in the merging cost.

Costs of the Company for business combination shall, including intermediation costs for audit, legal services and assessment and consultation, and other relevant management costs, be recorded in the profits and losses in the current period; transaction costs of equity instruments or debt instruments issued by the Company as merging consideration shall be included in initial recognition amount of equity instruments or debt instruments.

The difference between merging costs and fair value of identifiable net assets of obtained from acquire through merging, shall be recognized as goodwill by the Company. Where merging costs is less than fair value of identifiable net assets of obtained from acquire through merging and recognized by recheck, shall be recorded in the profits and losses in the current period

For a business combination realized by multiple transactions of exchange, if it is a package deal, conduct accounting treatment by regarding all transactions as a transaction acquiring control; if it is not a package deal, accounting treatments shall be conducted correspondingly by using individual financial statement and consolidated financial statement:

- 1) In individual financial statements, when equity method is adopted for calculation of equity investment held prior to merging date, sum of book value of acquirer's equity investment held prior to acquisition date and newly increased investment cost on acquisition date shall be recognized as initial investment cost of this investment;

When equity investment held prior to merging date is recognized by adopting financial instruments and calculated by adopting measurement standard, a sum of the fair value of this equity investment on merging date and newly increased investment cost shall be recorded as initial investment cost on merging date. The difference between fair value and book value of originally held equity, and accumulated fair value changes which were included in other comprehensive incomes shall all be transferred into investment incomes in the current period of merging date.

2) In consolidated financial statements, equity held by the seller prior to acquisition date shall be recalculated on the basis of equity fair value on acquisition date, and difference between the fair value and its book value shall be recorded in investment incomes in current period; where seller's equity held prior to acquisition date is involved in other comprehensive incomes calculated by adopting equity method, the equity and other relevant comprehensive incomes shall be transferred to investment incomes in current period of acquisition date.

(3) Determination method of fair value of relevant transaction on merging date

1) For the monetary fund, it shall be determined on the basis of book balance of the seller on the acquisition date.

2) For financial instruments with an active market, including stock, bond and fund, it shall be determined on the basis of the market price in active market on the acquisition date.

3) For receivables, the fair value of short-term receivables shall be the receivable amount generally; fair value of long-term receivables shall be determined according to discounted present value at an appropriate interest rate. When determining the fair value of receivables, the probability of bad debt and relevant collection expenses shall be taken into consideration.

4) For inventory, fair value of finished products and commodities shall be determined on the basis of results calculated by using estimated sales value minus estimated sales expenses and relevant taxes and of estimated profits may be realized according to acquirer's sales experience of similar finished products and commodities; fair value of unfinished products shall be determined on the basis of results calculated by using estimated sales value minus costs until completion, estimated sales expenses and relevant taxes and of estimated profits may be realized according to sales experience of similar finished products and commodities; fair value of raw materials shall be determined according to current replacement cost.

5) For financial instruments without active market such as equity investment, the fair value shall be determined by adopting appraisal technique.

6) For buildings, machinery and equipment and intangible assets, where there is active market, fair value of them shall be determined on the basis of market price on acquisition date; where there is no active market while there is active market for same kind or similar assets, fair value of them shall be determined by referring to market price of the same kind or similar assets; if there is no active market for same kind of similar assets, fair value shall be determined by adopting appraisal technique.

7) For receivables, notes payable, employee pay payable, bonds payable and long-term

accounts payable, the fair value of short-term liabilities shall be determined on the basis of payable amount generally; fair value of long-term liabilities shall be determined as the discounted present value at an appropriate interest rate.

8) For obtained seller's contingent liabilities, where its fair value can be measured reliably, it shall be recognized as estimated liabilities. The fair value of the debt shall be the amount to be paid by the acquirer to the third party who willing to bear the debt against the obligations born by the third party.

9) For Deferred tax assets and deferred tax liabilities, where there is difference between fair value of obtained seller's various identifiable assets, liabilities and contingent liabilities and tax base of them, corresponding Deferred tax assets and deferred tax liabilities shall be recognized as regulations specified in Accounting Standard for Business Enterprises No. 18 - Income Taxes. The amount of recognized deferred tax assets and deferred tax liabilities shall not be discounted.

note 5 The preparation of consolidated financial statements

1. Scope of consolidation

The consolidation scope of the consolidated financial statements of the Company is determined on the basis of control and all subsidiaries (including the individual entities controlled by the Company) are included in the consolidated financial statements.

2. Process of consolidation

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries in accordance with other relevant information. The Company has prepared the consolidated financial statements and regarded the entire enterprise group as an accounting entity. According to the unified accounting policies, the Company's overall financial status, operating results and cash flow are reflected in accordance with the recognition, measurement and presentation requirements of the relevant accounting standards

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are in line with the Company. If accounting policies and accounting periods adopted by the subsidiaries are inconsistent with the Company, the necessary adjustments need to be made to them according to the Company's accounting policies and accounting periods when consolidated financial statements are prepared.

When composing the consolidated financial statements, the impact of the internal transactions between the Company and the subsidiaries, and the subsidiaries each other on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated shareholders' equity changes are offset. If the enterprise group merges the financial statements from the perspective of the company or subsidiary for the accounting subject of the same transaction is not the same time, from the perspective of the enterprise group to adjust the transaction.

The owner's equity of the subsidiaries, the net profit or loss for the current period and the share of the minority shareholders in the current consolidated income are separately presented under the net profit Items and the consolidated income Items under the consolidated equity Items under the owner's equity Items in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders' share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

For the subsidiaries acquired under the same control, the financial statements shall be adjusted on the basis of the carrying amount of the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiary) in the final controlling party's financial statements.

For subsidiaries acquired by business combination not under the same control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date

(1) Acquisition of subsidiary or business

During the reporting period, if the subsidiary company or business is consolidated under the same control, the beginning balance of the consolidated balance sheet shall be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement ; The cash flow of the subsidiaries or business combination from the beginning of the current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant Items of the comparative report are adjusted for the subject of the consolidated report has existed since the time when the final controlling party begins to control.

Due to additional investment and other reasons to be under the same control of the investee to implement control, as the parties involved in the merger in the final control of the beginning of control when the current state of existence to adjust. The equity income held prior to the acquisition of the controlling right of the merged party has recognized the relevant gains and losses between the date of the same control and the date of merger and the merged party and the merged party to the date of merger, and the other comprehensive income, as well as other changes in net assets, respectively, compared with the beginning of the reporting period, retained earnings or current profits and losses.

During the reporting period, if the subsidiary company or business is not included in the merger under the same control, the balance sheet shall not be adjusted at the beginning of the consolidated balance sheet; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period The cash flow of the subsidiary or business from the date of purchase to the end of the reporting period is included in the consolidated cash

flow statement.

The Company shall be subject to the fair value of the equity interest at the date of purchase, and the fair value of the Company shall be re-measured at the fair value of the acquisition date for the equity interest held by the acquirer held prior to the date of purchase if the investment is controlled under the same control due to additional investment. The difference between the book value is included in the current investment income. Other equity income and other comprehensive benefits related to changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution, other equity interests in the equity interests held by the acquirer prior to the acquisition date, The change of the equity interest in the current investment income of the acquisition date, except for the other comprehensive income arising from the re-measurement of the net profit or net asset change of the beneficiary plan.

(2) Disposal of subsidiaries or business

1) General method

During the reporting period, the Company disposed of its subsidiaries or business, the income, expenses and profits of the subsidiary or business period from the date of disposal to the consolidated income statement; the cash flow from the date of disposal of the subsidiary or the business date to the consolidated cash flow table.

If the company lost control of investee due to disposal of partial equity investment, the Company should re-measure the remaining equity investment after disposal based on its fair value on its disposal date. The difference, which equals the sum of the consideration for equity disposal and the fair value of remaining equity, less the sum of goodwill and the share of the net assets of original subsidiaries which shall be calculated at original shareholding ratio from the date of purchase or the date of consolidation, should be included into investment income at period that lost of control occurred. Other changes in owners' equity related to other comprehensive income or net profit or loss, other comprehensive income and profit distribution related to the equity investment of the original subsidiaries shall be converted into current investment income when the control is lost. Since the investee is re-measured, except for other consolidated income arising from changes in net liabilities or net assets of the benefit plan.

2) Step-by-step disposal of subsidiaries

Through a number of transactions step by step disposal of equity investment in subsidiaries until the loss of control, the terms, conditions and economic effects of dealing with the equity investments of the subsidiaries are one or more of the following circumstances, which usually indicate that the transactions shall be treated as a package transaction for a number of transactions:

- A. These transactions are made at the same time or in consideration of each other's influence;
- B. The whole of these transactions in order to achieve a complete business results;

C. The occurrence of a transaction depends on the occurrence of at least one other transaction;

D. A transaction is uneconomical, but it is economical to consider with other transactions.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, The Company regards the transactions as a disposal of subsidiaries and loss of control transactions for accounting treatment; However, the difference between the disposal price and the disposal of the net asset share of the subsidiary before the loss of control is recognized as other comprehensive income in the consolidated financial statements and, in the event of loss of control, transferred to the current period of loss of control profit and loss.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction does not belong to a package of transactions, before the loss of control, according to the case of non-loss of control of the part of the disposal of the equity investment in the subsidiary of the relevant policies for accounting treatment; When the loss of control, according to the disposal of subsidiaries of the general approach to accounting treatment.

(3) Acquisition of minority interests in subsidiaries

The difference between the long-term equity investment acquired by the Company for the acquisition of minority interests and the share of the net assets beginning to be calculated from the date of purchase (or the merger date) in accordance with the new shareholding ratio, shall be adjusted in the capital premium of the capital reserve in the consolidated balance sheet, the capital premium of the capital reserve is insufficient to offset, adjust the retained earnings.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The disposal price of the long-term equity investment in the part of the disposal of the long-term equity investment in the case of no loss of control and the difference between the disposal of the long-term equity investment and the share of the net assets of the subsidiary from the date of purchase or the date of consolidation , Adjust the capital premium in the capital reserve in the consolidated balance sheet, and if the capital premium in the capital reserve is insufficient to offset, adjust the retained earnings.

note 6 Recognition standard of cash and cash equivalent

In preparation statement of cash flow, cash on hand and deposits that are available for payment at any time of the Company shall be recognized as cash. Short term (generally due within three months from acquisition date) and highly liquid investments that are readily convertible to known amounts of cash shall be recognized as the cash equivalent.

note 7 Foreign currency transaction and translation of foreign currency statement

1. Foreign currency transactions

At the time of initial recognition of foreign currency transaction, spot exchange rate of the transaction day shall be adopted as conversion exchange rate to make conversion into RMB for account keeping. On balance sheet day, monetary Items of foreign currency shall be converted at spot exchange rate of balance sheet day. The balance of exchange incurred thereby, excluding balance of exchange incurred by specialized foreign currency borrowing in connection with to acquisition or construction of assets conforming to capitalization conditions which shall be treated based on the principle of capitalization of borrowing costs, shall all be included into current profits and losses. For non-monetary Items of foreign currency measured based on historical costs, the conversion shall still be based on spot exchange rate of transaction day, without changing amount of recording currency.

For non-monetary Items of foreign currency measured at fair value, the conversion shall be based on spot exchange rate of determination day of fair value, and balance of exchange incurred thereby shall be included into current profits and losses as profits and losses from the change in fair value. In case such non-monetary Items is of available-for-sale foreign currency, the resulting balance of exchange shall be included into other comprehensive income.

2. Translation of foreign currency financial statements

For assets and liabilities in the balance sheet, conversion shall be made at spot exchange rate of balance sheet day; for owner's equity, except "undistributed profit", conversion of all the other Item shall be based on spot exchange rate when such Items occurs. For income and expenses in the profit statement, conversion shall be based on spot exchange rate of transaction day.

When disposing of an overseas business, an enterprise shall shift the balance, which is presented under the Items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. In the case of disposal of part of the equity investment or other reasons leading to a decrease in the proportion of overseas business interests but not the loss of control of foreign operations, foreign currency transactions related to the translation of foreign currency statements will be attributable to minority interests, not transferred to the current profits and losses. The difference between the translation of foreign currency statements related to the overseas operation shall be transferred to the disposal of the current profits and losses in accordance with the proportion of disposal of the overseas business when the overseas business is part of the equity interest in the joint venture or the joint venture.

note 8 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

Management has, according to contract terms of issued financial instruments and economic substance reflected by such terms other than its legal form only, and based on such purposes as acquiring financial assets and undertaking financial liabilities, classified financial assets and financial liabilities into different types: financial assets (or financial liabilities) measured at fair value and included in current profits and losses based on its variation; held-to-maturity investment; entrusted loan; receivables; financial assets available for sales; and other financial liabilities, etc..

2. Recognition base and measurement methods for financial instruments

In combination with its own business characteristics and risk management requirements, the financial assets are classified as: the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, loans and receivables, available-for-sale financial assets and held-to-maturity investment.

(1) The financial assets (financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

The financial assets or financial liabilities which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including trading financial assets or financial liabilities and financial assets or financial liabilities directly designated to be measured at fair value and included in current profits and losses.

Trading financial assets or financial liabilities refer to financial assets or financial liabilities conforming to one of the following conditions:

- 1) The purpose of acquiring such financial assets or financial liabilities is to sale, repurchase or redeem it in the near future;
- 2) Forming a part of identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidence proving that the Company may manage the combination by way of short-term profit making in the near future;
- 3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Only the financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses:

- 1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;
- 2) The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination

of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

3) Hybrid instruments containing one or more embedded derivatives, unless embedded derivative(s) does not cause major changes to cash flow of hybrid instruments or it is apparent that embedded derivatives should not be split from relevant hybrid instruments;

4) Hybrid instruments containing embedded derivatives which need to be split but cannot be respectively measured at the time of acquisition or balance sheet day that follows.

For financial assets or financial liabilities measured at fair value and included in current profits and losses based on its variation, the Company will take its fair value (with deduction of cash dividends which have been declared while remaining unissued or bond interests which have come to its interest payment period while remain uncollected) as the initially recognized amount and will have the transaction cost included in current profits and losses. During the holding period, the acquired interests or cash dividends shall be recognized as investment income and variation of its fair value shall be included in current profits and losses at the end of the period. At the time of disposal, the difference between its fair value and the initially recorded amount shall be recognized as investment income; at the meantime, profits or interests from the change of fair value shall be adjusted.

(2) Receivables

For receivable claim formed from commodity sales or provision of services as well as creditor's rights of other enterprises held by the Company which does not include liability instruments with quoted price in an active market, including receivables and other receivables, notes receivable, advance payment and long-term receivables, etc., the contractual or agreed price to be received from the buyer shall be taken as initial recognition amount; for those of financing nature, initial recognition shall be made at its current value.

At the time of recovery or disposal, the difference between such acquired amount and book value of such receivables shall be included in current profits and losses.

(3) Entrusted loans

Valuation and income recognition methods for entrusted loan: actual amount of entrusted loan to financial institutions shall be recorded as actual cost and the interest accrued shall be calculated according to accrual-basis accounting; in case withdrew interests cannot be recovered at the time of expiration, withdrawal shall be ceased and already withdrew interests shall be refunded;

At the end of the period, entrusted loan shall be measured at its book value or recoverable amount whichever is lower:

1) Recognition standard for depreciation reserves for entrusted loan: principal of the entrusted loan shall exceed its recoverable amount.

2) Withdrawal method for depreciation reserves for entrusted loan: every half a year or at the

end of each year, withdrawal shall be made based on the difference between the recoverable amount which is of smaller amount and book value of each entrusted loan.

(4) Held-to-maturity investments

The held-to-maturity investment refers to the non-derivative financial asset with fixed maturity date, fixed or ascertainable recoverable amount and that the Company intends to and has the ability to hold to the maturity date.

When the Company obtains the held-to-maturity investment, it will take the sum of fair value (deducting the bond interest in due interest payment period but not collected) and relevant transaction expenses as the initial recognition amount. It will calculate and recognize the interest income based on the amortized cost and actual interest rate and include it in the return on investment. When in disposing of the held-to-maturity investment, the Company will include the balance between the obtained price and the book value of the investment in the return on investment.

In case the held-to-maturity investment is disposed of or reclassified as a number of other financial assets which is relatively more than the total amount of all held-to-maturity investments of the Company prior to sales or reclassification, the remaining held-to-maturity investment upon disposal or reclassification shall be promptly reclassified as financial assets available for sales; the balance between of book value and fair value of the investment shall be included in other comprehensive incomes and transferred out in the impairment or de-recognition of the financial assets available for sales and then included in the current profit and loss. However, except for the following conditions:

1) The selling date or reclassification date is close to the maturity date or redemption date of the investment (such as, within three months before maturity) and the market interest rate has no significant impact on the fair value of the investment.

2) As the payment method agreed herein, the enterprise can recover almost all initial principals.

3) The selling or reclassification arises out of the enterprise incapable of controlling or expecting the independent events that will not reoccur or be difficult to reasonably predict.

(5) Financial assets available for sales

The financial asset available for sales refers to the non-derivative financial assets assigned available for sales in initial recognition and the financial assets other than other financial assets classification.

When the Company obtains the financial asset available for sales, it will take the sum of fair value (deducting the cash dividend announced but not issued or the bond interest in due interest payment period but not collected) and relevant transaction expenses as the initial recognition amount. It will recognize the interest or cash dividend obtained in holding period as the return on investment. The profit or loss generated in the fair value change of the financial assets available for sales other than the balance of exchange formed in the impairment loss or foreign monetary

financial assets shall be directly included in other comprehensive incomes. In disposing the financial assets available for sales, the balance between of the price obtained and the book value of the financial assets shall be included in the profit and loss on investment; meanwhile, the amount of disposal corresponding to the accumulated amount of fair value change originally directly included in other comprehensive incomes shall be transferred out and included in the profit and loss on investment.

3. Recognition basis and measurement method for transfer of financial assets

When the financial assets of the Company are transferred, and in case almost all risks and remunerations on the ownership of the financial assets have been transferred to the transferee, the financial assets shall be de-recognized; in case almost all risks and remunerations on the ownership of the financial assets have been reserved, the financial assets will not be de-recognized.

In judging whether the transfer of financial assets meets the said de-recognition condition of the financial assets, the principle of substance over form shall be employed. The Company will divide the transfer of financial assets into an overall transfer and partial transfer of financial assets. In case the overall transfer of financial assets meets the de-recognition condition, the balance between the following two amounts shall be included in the current profit and loss:

- (1) Book value of transferred financial assets;
- (2) The sum of consideration obtained from transfer and the accumulated amount of fair value change originally included in the ownership interest (concerning the condition that the transferred financial assets are financial assets available for sales).

In case the partial transfer of financial assets meet the de-recognition condition, the amount between the de-recognized part and part without de-recognition of the book value of the overall transferred financial assets shall be amortized as per respective corresponding fair value and the balance of the following amounts shall be included in the current profit and loss:

- (1) Book value of de-recognition part;
- (2) The sum of consideration obtained from transfer and the amount of de-recognition part corresponding to the accumulated amount of fair value change originally included in the ownership interest (concerning the condition that the transferred financial assets are financial assets available for sales).

In case the transfer of financial assets fails to meet the de-recognition condition, the financial assets shall continue to be recognized and the consideration received shall be recognized as financial liabilities.

4. De-recognition condition of financial liabilities

In case the current obligations of the financial liabilities have been completely or partially released, the financial liabilities or partial financial liabilities shall be de-recognized; in case the Company enters into agreement with the creditor to assume new financial liabilities in replacement for the existing financial liabilities and the contract terms of the new financial

liabilities are substantially different from that of the current ones, the existing financial liabilities shall be de-recognized and at the same time the new financial liabilities shall be recognized.

In case complete or partial contract terms of the existing financial liabilities are substantially amended, the existing financial liabilities or partial ones shall be de-recognized and meanwhile, the financial liabilities upon the terms amendment shall be recognized as new financial liabilities.

In case the financial liabilities completely or partially are de-recognized, the balance between the book value and the payment consideration of the de-recognized financial liabilities (including transferred-out non-cash assets or assumed new financial liabilities) shall be included in the current profit and loss.

In case the Company repurchases partial financial liabilities, it will distribute the book value of the overall financial liabilities as per the relevant fair value of the part continued to be recognized or de-recognized on the repurchase date. The balance between the book value distributed to the de-recognized part and paid consideration (including transferred-out non-cash assets or assumed new financial liabilities) shall be included in the current profit and loss.

5. Determination method for fair value of financial assets and financial liabilities

The fair value of the financial assets and financial liabilities existing in the active market of the financial assets and financial liabilities measured by the Company with the fair value shall be determined as per the offer of active market; for the financial assets initially obtained or derived or assumed financial liabilities, the market transaction price shall be taken as the basis for determination of its fair value; for the financial assets or financial liabilities without active market, its fair value shall be determined with the valuation technology. In valuation, the Company employs applicable valuation technology with sufficient available data and other information support in current condition to select the input value consistent with the assets or liabilities considered by the market participant in relevant assets or liabilities transaction and give priority in use of relevant observable input value as much as possible. In case the relevant observable input value is unobtainable or infeasible, the unobservable input value shall be used.

6. Provision for impairment of financial assets (excluding receivables)

The book value of financial assets other than the financial assets with fair value measured and its change included in the current profit and loss other than shall be examined on the balance sheet date, and in case there is objective evidence showing that the financial asset is impaired, the provision for impairment shall be withdrawn.

The objective evidence of the impairment of financial assets includes but not limited to:

- (1) The issuer or the debtor has serious financial difficulties;
- (2) The debtor is in breaches of the contract terms, such as the default in interest or principal payment and interest or principal payment overdue;
- (3) The creditor makes concessions to the Debtor with financial difficulties on account of economic or legal factors;
- (4) The debtor probably closes down or goes into other financial restructurings;

(5) Due to serious financial difficulties of the Issuer, the financial assets can not continue to be traded on the active market;

(6) It is impossible to recognize whether the cash flow of certain assets in one group of financial assets has been reduced or not, but based on the announced data, it is found upon comprehensive evaluation, the estimated future cash flow of this group of financial assets has been reduced and measurable since the initial recognition; in case the payment capacity of the Debtor of this group of financial assets gradually worsens, or the unemployment rate of the country or region where the Debtor is located increases and the price of collateral in the region dramatically declines or the industry it is engaged in is sluggish;

(7) If substantial adverse changes happen on issuer's technology, market, economy or legal environment, the equity instrument investor may fail to recover the investments costs;

(8) Serious or non-temporary decline of fair value of equity instrument investment;

The specific impairment methods for the financial assets are as follows:

(1) Impairment provision of available-for-sale financial assets:

When impairment of available-for-sale financial assets measured at costs occur, determine impairment loss according to the balance between its book value and market returns of similar financial assets in current period against determined present value by discounting of future cash flow. Incurred impairment loss shall not be returned.

(2) Provision for impairment of held-to-maturity investment:

In case there is objective evidence showing that the held-to-maturity investment is impaired the impairment loss shall be calculated and recognized based on the balance of its book value and estimated present value of future cash flow; in case there is evidence showing the recovery of its value upon withdrawing, the impairment loss originally recognized shall be written back and then included in the current profit and loss, but the book value written back shall not exceed the amortized cost of the financial assets on the writing-back date on the assumption of not withdrawing provision for impairment.

7. Offset of financial assets and financial liabilities

The financial assets and financial liabilities are respectively listed in the balance sheet without mutual offset. However, in case the following conditions are satisfied simultaneously, the net amount of mutual offset shall be listed on the balance sheet:

(1) The Company has the legal right to offset recognized amount and this legal right is currently executable;

(2) The Company plans to execute netting or meanwhile realizes the financial assets and pays off the financial liabilities.

note 9 Hedging instrument

The Company will classify the hedge into fair value hedge, cash flow hedge and the hedge of net investment in overseas operation based on the hedging relationships.

1. The hedging instrument meeting the following conditions shall be treated with the hedge accounting method.

(1) When hedge begins, the Company has officially specified the hedge relationship (namely the relationship between the hedging instrument and hedged Items) and prepared official written documents of hedge relationship, risk management objective and hedging strategy;

(2) The hedge is expected to be highly effective and in conformity with the risk management strategy initially determined for the hedging relationship by the Company;

(3) For the cash flow hedge of forecasted transaction, the forecasted transaction probably occurs and has to make the Company face the risk of cash flow change finally impacting the profit and loss;

(4) The hedge effectiveness can be reliably measured;

(5) Continuously evaluate the hedge effectiveness and ensure that the hedge is highly effective within the specified accounting period of the hedge relationship.

When the hedge simultaneously meets the following conditions, the Company will deem it highly effective: (1) in hedge beginning and subsequent period, the hedge is expected to highly effectively offset the change in fair value or cash flow arising out of the hedged risk within specified hedge period; (2) the actual offset result of the hedge is between 80% to 125%.

2. Accounting treatment for fair value hedge

(1) Basic requirements

1) In case the hedging instrument is derivative instrument, the profit or loss formed in the change of fair value shall be included in the current profit and loss; in case the hedging instrument is not derivative instrument, the profit or loss formed in the change in exchange rate of the book value shall be included in the current profit and loss.

2) The profit or loss formed by the hedged risk of hedged Items shall be included in the current profit and loss and the book value of the hedged Items shall be adjusted simultaneously. In case the hedged Items is inventory offset with the net realizable value subsequently measured based on the cost, financial asset or financial asset available for sales subsequently measured based on the amortized cost, it shall be treated as specified herein.

(2) Treatment for profit and loss of hedged Items

1) For the fair value hedge of partial interest rate risk of financial assets and financial liability group, the Company will treat the profit and loss formed by the hedged Items based on the following methods:

① In case the hedged Items is asset within the re-pricing period, it shall be separately listed in the asset Items of balance sheet and then written off in de-recognition;

② In case the hedged Items is the liability within the re-pricing period, shall be separately listed in the liability Items of the balance sheet and then written off in de-recognition.

2) In case the hedged Items is financial instrument measured as per amortized cost, the adjustment of the book value of the hedged Items shall be amortized from the adjustment date to the maturity date based on the actual interest rate recalculated on the adjustment date and then included in the current profit and loss.

For the fair value hedge of interest rate risk portfolio, relevant Items shall be separately listed on the balance sheet and amortized from the adjustment date to the ending date of the relevant re-pricing period based on the actual interest rate recalculated on the adjustment date. In case it is infeasible to amortize with actual interest rate method, it can be amortized with the straight-line method. The adjustment amount shall be amortized completely before the maturity date of the financial instrument; the fair value hedge of interest rate risk portfolio shall be amortized completely before the ending date of the relevant re-pricing period.

3) In case the hedged Items is the firm commitment not yet recognized, and the firm commitment is recognized as an asset or liability for the accumulated amount of the change in fair value arising out of the hedged risk, relevant profit or loss shall be included in the current profit and loss.

4) In the fair value hedge of firm commitment to purchase asset or assume liability, in case the firm commitment (has been recognized as asset or liability) for the accumulated amount of the change in fair value arising out of the hedged risk, the initial recognition amount of asset obtained or liability assumed in the performance of the firm commitment shall be adjusted.

(3) Conditions of termination of accounting method for fair value hedge

In case the hedge meets one of the following conditions, the fair value hedge accounting shall be terminated:

1) The hedging instrument has been due or sold or the contract is terminated or performed.

2) In case the hedge instrument extension is substituted by another hedging instrument and the extension or substitute are parts of the hedging strategy expressly recorded in the official written document of the Company, it will not be treated as maturity or contract termination.

3) The hedge does not meet the condition of application of hedge accounting method anymore.

4) The Company cancels the hedge relationship designation.

3. Cash flow hedging accounting treatment

(1) Basic requirements

1) The part belonging to effective hedging in the profits or losses of hedging instrument shall be directly recognized as owner's equity and reflected in separate Items. The amount of the part of effective hedging shall be determined in accordance with the lower of the absolute amounts of the following two Items:

① Accumulative profits or losses of the hedging instrument from the beginning of hedging;

② Accumulative change of the expected present value of future cash flows of the hedged Items from the beginning of hedging.

2) The part belonging to ineffective hedging in the profits or losses of hedging instrument (other profits or losses after the deduction of those directly recognized as owner's equity) shall be included in current profit and loss.

3) In the formal written document of risk management strategy, it is clearly stated that the effect of certain part of profits or losses or related cash flows of hedging instrument will be excluded during the evaluation of the hedging effectiveness and that the treatment of this part of profits or losses being excluded will apply to No.22 Accounting Standards for Business Enterprises---Financial Instruments Recognition and Measurement.

(2) Follow-up treatment of profits or losses of hedging instrument

1) In case the hedged Items is expected transaction and the forecast transaction leads to the subsequent recognition of a financial asset or financial liability by the Company, the related profits or losses previously directly recognized as owner's equity will be transferred out in the same period when the financial asset or financial liability affects the profit and loss of the Company and included in current profit and loss. However, when the Company expects that the whole or part of net losses previously and directly recognized in the owner's equity can not be compensated in the future accounting period, the part which can not be compensated shall be transferred out and included in current profit and loss.

2) In case the hedged Items is expected transaction and the forecast transaction leads to the subsequent recognition of a financial asset or financial liability by the Company, the related profits or losses previously and directly recognized in the owner's equity will be transferred out in the same period when the financial asset or financial liability affects the profit and loss of the Company and included in current profit and loss. However, when the Company expects that the whole or part of net losses previously and directly recognized in the owner's equity can not be compensated in the future accounting period, the part which can not be compensated shall be transferred out and included in current profit and loss.

3) For the situation which does not belong to the situations in 1) and 2), the profits or losses of hedging instrument previously directly included in the owner's equity will be transferred out in the same period when the hedged transaction affects profit and loss and included in current profit and loss.

(3) Conditions for the termination of cash flow hedging accounting methods

1) When the hedging instrument is due or sold out or the contract is terminated or performed, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out and they will not be treated in accordance with relevant regulations until the actual occurrence of the expected transaction.

2) When the hedging can no longer meet the requirements for the application of hedge accounting methods specified by hedging rules, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out and they will not be treated in accordance with relevant regulations until the actual occurrence of the expected transaction.

3) When the expected transaction is expected not to occur, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall be transferred out and included in current profit and loss.

4) When the Company revokes the appointment of a hedging relationship, for the expected transaction hedging, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out until the actual occurrence of the expected transaction or expectation of nonoccurrence. If the expected transaction actually occurs, the treatment shall be carried out in accordance with relevant regulations; if it is expected that the expected transaction will not occur, the profits or losses of hedging instrument directly included in the owner's equity shall be transferred out and included in current profit and loss.

4. Hedging of net investment in an overseas operation

For the hedging of net investment in an overseas operation, the Company shall treat in accordance with the regulations similar to that of cash flow hedging accounting: The part belonging to effective hedging in the profits or losses of hedging instrument shall be directly recognized as owner's equity and reflected in separate Items. For the disposal of overseas operations, the above-mentioned profits or losses of hedging instrument reflected in separate Items in the owner's equity shall be included in current profit and loss. The part belonging to ineffective hedging in the profits or losses of hedging instrument shall be included in current profit and loss.

note 10 Accounts receivables

1. Accounts receivable with significant single amounts and for which bad debt provision is drawn individually

Recognition standard for the accounts receivables with significant single amount and the bad debt reserve of them is withdrawn individually

The specific standard for the accounts receivables with significant single amount is more than RMB 30 million (inclusive).

Provision method for the bad debt reserve of the accounts receivables with significant amount:

An independent impairment test shall be made, and bad debt provision shall be provided and recognized in current profit or loss. The provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2. Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics

(1) Basis for the determination of credit risk characteristics combination

Basis for the determination of combination

Combination name	Provision method	Basis for the determination of combination
Related party combination	No provision for bad debts	All related parties
Risk-free combination	No provision for bad debts	According to the nature of the business, identified as non-credit risk, including accounts receivable from government departments, the reserve of the staff, security and deposit, etc.
Combination determined by aging of accounts	Aging analysis method	Including receivables other than the above combination, The Company makes the best estimate of the bad debts of accounts receivable based on past historical experience, and the credit risk combination is classified according to the aging of accounts receivable

(2) Withdrawing method determined in accordance with credit risk characteristics combination

①Provision for bad debts using aging analysis method

Aging	Provision for bad debts based on proportion of accounts receivable (%)	Provision for bad debts based on proportion of other receivables (%)
Within 1 year	0-5	0-5
1—2 years	0-10	0-10
2—3 years	0-30	0-30
3—4 years	50-60	50-60
More than 4 years	80-100	80-100

②Provision for bad debts using other combinations

Combination name	Method Description
Related party combination	There is no provision for bad debts for accounts receivable of related parties included in the scope of consolidation
Riskless combination	Riskless combination based on the nature of the business does not accrue bad debt provision

3. Accounts receivable with insignificant single amounts and for which bad debt provision is drawn individually

The reason for the provision for bad debts is: there is objective evidence that the Company will not be able to recover the original terms of the accounts receivables.

The provision for bad debts is based on the difference between the present value of the expected future cash flow of accounts receivable and the book value.

note 11 Inventory

1. Inventory classification

Inventory refers to the finished products or commodities held by the Company in daily activities for sale, unfinished products in the production process, materials or supplies consumed during the process of production or service rendering. It mainly includes raw materials, revolving materials, outside processing materials, unfinished products, self-made semi-finished products, finished products (commodity stocks), goods in transit and etc.

2. Valuation method of stock

Inventories are initially measured at cost, including procurement costs, processing costs and other costs. When the inventory is issued, the weighted average method is used to determine the actual cost of issuing the inventory. Low-value consumables and packaging are amortized using one-time written off method and other revolving materials are amortized using a resale method.

3. Inventory system of inventory

Company inventory implementation of the perpetual inventory system, and inventory is inventoried at the end of each year. Net profit and loss are recognized in profit or loss for the current period. The inventory profit and loss are recognized in profit or loss for the current period.

4. Amortization method of low value consumables and packing materials

- (1) One-time write-off method is adopted for low value consumables;
- (2) One-time write-off method is adopted for packing materials;
- (3) One-time write-off method is adopted for other revolving materials.

(4) Usage times method is adopted for Steel formwork, timber formwork, scaffold and other revolving materials

5. Determination basis of net realizable value provision of decline in value of inventories

Decline in value of inventories is provided based on the lower amount of the cost and net realizable value of inventory after the complete check of inventory at the end of the period. For such merchandise inventories as finished products, commodity stocks and materials for sale which are directly for sale, the net realizable value shall be determined as the amount of the estimated sale price of the inventory minus marketing expenses and related taxes during the normal production and operation process; for the material inventory to be processed, the net realizable value shall be determined as the amount of estimated sale price of the finished product minus the estimated cost to be incurred till the completion and estimated marketing expenses and related taxes during the normal production and operation process; for the inventory held for the performance of the sales contract or labor contract, its net realizable value shall be calculated based on the contract price. In case the quantity of the inventory held is larger than the quantity ordered in the sales contract, the net realizable value of the extra inventory shall be calculated based on the ordinary sale price.

Decline in value of inventories is provided in single inventory Items at the end of the period; for the inventory with large quantity and low unit price, decline in value of inventories is provided in accordance with the inventory category; for the inventory related to the product series produced and sold in the same area with the same or similar end use or purpose which is hard to be measured separately from other Items, decline in value of inventories is provided in combination.

In case the influence factor of the previous inventory value write-down has disappeared, the amount written down shall be recovered and turned back from the amount of the decline in value of inventories and the amount turned back shall be included in current profit and loss.

note 12 Long-term Equity Investment

1. Determine the cost of investment

(1) As for long-term equity investment caused by business combination and detailed accounting policy can refer to Annotation IV / (IV) accountant arrangement method of business combination.

(2) Long-term equity investment caused by other methods

As for long-term equity investment gained by cash, take purchasing price of actual payment as the initial investment cost, which includes fees, taxes and other necessary expenses directly related to obtain long-term equity investment.

As for long-term equity investment gained by issuing equity securities, take the fair value of issued equity securities as the initial investment cost; transaction expenses on issuing or obtaining equity investment of oneself, part of which being directly attributable to equity transaction can be

deducted from equities.

It is on the premise that there is commercial essence in the exchange of non-monetary assets and the fair value of assets received or surrendered can be calculated reliably. As for long-term equity investment received by exchanging non-monetary assets, its initial investment cost shall be determined as the fair value of assets surrendered, except concrete evidence can be taken to show the reliability of the fair value of assets received. As for exchange of non-monetary assets without the above premise, it is required to take the book value of assets surrendered and related payable taxes and dues as the initial investment cost of long-term equity investment.

As for long-term equity investment gained by debt restructuring, its initial investment cost shall be determined as the fair value.

2. Determination of following measurement and profits and losses

(1) Cost Method

The Company adopts cost accounting method for long-term equity investment over which the Company can exercise control. Additions or decreases in investments are adjusted against cost of investments.

Except for the actual investment payment of the price or cash dividends or profits declared but not issued contained in consideration, the Company will take cash dividends or profits declared to be assigned by the invested unit as the current income from investment.

(2) Equity Method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. Being a part of that, the equity investment of joint venture indirectly held by venture capital institution, mutual fund, trust company or similar bodies including unit-linked insurance and fund can be measured by fair value and its variation can be included in profits and losses.

If initial investment cost of long-term equity investment is more than the balance of due share of fair value of an identifiable net asset of invested unit, the initial investment cost shall not be adjusted. On the contrary, the initial investment cost shall be included in current profits and losses.

After getting the long-term equity investment, according to the share of deserved or shared net profit or loss and other comprehensive income from the invested company, determine the net profit or loss and other comprehensive income separately and adjust the book value of long-term equity investment. Based on the profits or cash dividend declared to be assigned by the invested company, measure the shared portion and decrease the book value of long-term equity investment correspondingly. As for other variation of owner's equity except for profits and losses, other comprehensive income and distribution of profits deducted by invested company, adjust the book value of long-term equity investment and count it into owner's equity.

When the company confirms the share of deserved net profit and loss from invested company, on the basis of gained the fair value including identifiable assets in investment from invested company, adjust and then confirm net profit from invested company. As for profit and loss from

unrealized internal transaction among the company, joint venture and cooperative enterprise, according to the shared proportion, calculate the portion of the company and offset it. On this basis, determine the investment profit and loss.

When the Company recognizes its share of loss incurred to the investee, treatment shall be done in following sequence: firstly, write down the book value of long-term equity investment; secondly, as for the book value is not enough to write down, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, by the above treatment, if the company has to still undertake the additional obligation under the investment contract or agreement, based on the obligation, we shall determine the expected liabilities and count it as the current profit and loss.

When the invested company makes profits afterward, deduct the undetermined proportion of loss and do as the reversed sequence. Write down the book value of determined and expected liabilities; recover the long-term equity constituting a net investment of invested company in essence and book value of long-term equity investment and then determine the investment income.

3. Determine the basis of control, joint control and significant impact on the invested company

If the company has some right in the invested company, it can gain variable return by joining relative activities; it has the right to use the power of the invested company to influence the return amount, which means the company controls the invested company.

As the related agreement, the company with other participants jointly controls a certain arrangement of the invested company and has the significant decision-making power of return, but it shall make effective only by joint agreement of other participants who hold the shared control power, which means the company and other participants jointly control arrangement. That is a joint arrangement.

The joint arrangement is made by a sole body. As a related agreement, if the company has the right to net assets of a sole body, we can consider the sole body as the joint venture and adopt equity method to measure. As the related agreement, if the company does not have the right, we take it as a joint operation. The company can determine the interest shares by joint operation related to corresponding projects and conduct accounting treatment as requirements of related Accounting Standards for Business Enterprises.

Significant impact refers to that investors have the right to take part in the decisions of financial and operational policies, but they cannot control the decision making by oneself or with other parties. After considering all facts and conditions comprehensively and combining the following one or several Items, the Company determine the significant impact on invested company. (1) Dispatch a representative to the board of directors or similar authorities. (2) Participate in the process of making financial and operational policies. (3) Make a great

transaction with invested company. (4) Dispatch managers to the invested company. (5) Provide key technical data to the invested company.

4. Switch of accounting method of long-term equity investment

(1) Convert fair value measurement to equity method

Due to additional investment and other reasons, the company can make a significant impact on or jointly control but not completely control the invested company. As the stipulations of *No. 22Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*, the sum of a determined fair value of originally held equity investment and newly increased investment cost shall be taken as the initial investment cost calculated by the equity method.

Originally held equity investment includes available-to-use financial assets. The balance of its fair value and book value and the change of accumulated fair value calculated into other comprehensive income shall be counted as current profits and losses by equity method.

If the initial investment cost calculated by equity method is less than the share of recognizable net assets obtained from invested company at the date of doing additional investment calculated and determined as the new holding proportion after additional investment, as for the balance of initial investment cost and the share, we shall adjust book value of long-term equity investment and count it into current nonbusiness income.

(2) Convert Fair value measurement or equity method to cost method

As to equity investment as the recognition and calculation standard of financial tools held originally held by the company which cannot control, jointly control or significant impact on the invested company, or as to long-term equity investment of joint venture and cooperative enterprise held originally by the company, due to additional investment and other reasons, the company can control the invested company in non-unitary control, when preparing the individual financial statement, take the sum of book value of equity investment held by the company originally and new increasing investment cost as the initial investment cost by cost method.

As to equity investment originally held before the purchase date determine the other comprehensive income by equity method, when disposing of the investment, we shall do the accounting on the same basis of assets or liabilities relating to direct disposition by invested company.

Do accounting to the equity investment held before purchase date as the stipulation of *No. 22Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*. Change of accumulated fair value which is counted as other comprehensive income shall be converted into current profits and losses by the cost method.

(3) Convert equity method to fair value measurement

The Company has lost the joint control or significant influence on the investee due to the disposal of part of the equity investment and other reasons. We shall do accounting as the stipulations of *No. 22Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and

losses since the day when losing joint control or significant influence.

As for other comprehensive income recognized by original equity investment by the way of equity method calculation, when terminating the calculation of equity method calculation, we shall adopt the accounting according to the same basis of related assets or liabilities directly disposed of invested company.

(4) Convert cost method to equity method

The Company has lost control of the investee due to the disposal of part of the equity investment and other reasons. When preparing the individual financial statement, as for disposing of residual equity which cannot implement joint control of invested company or make a great influence on it, calculate as equity method and adjust the calculation of residual equity by equity method since receiving.

(5) Convert cost method to fair value measurement

The Company has lost control of the investee due to the disposal of part of the equity investment and other reasons. When preparing the individual financial statement, as for disposed residual equity which cannot implement joint control of invested company or make great influence on it, we shall do accounting as the stipulations of *No. 22 Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and losses since the day when losing control.

5. Disposal of long-term equity investment

As to the Disposal of long-term equity investment, the balance of book value and actually obtained price shall be included in current profits and losses. As for long-term equity investment calculated by the equity method, when disposing of the investment, based on the same way as handling the related assets and liabilities as directly disposed of invested company, conduct the accounting as the corresponding proportion of assets counted into other comprehensive income originally.

When disposing subsidiary's equity, if the terms, conditions and economic impact of the deal fall on following one or several occasions. We can do the accounting by taking several transactions as a package:

- (1) These transactions are made at the same time or made by considering the influence on each other;
- (2) These transactions can achieve a commercial influence only as a whole.
- (3) One transaction resulted from the occurrence of at least another one.
- (4) We see that one transaction is not economical, but it is indeed economical when the one going with other transactions is considered.

Due to the Disposal of part of equity investment or other reasons, companies loss the control right of original subsidiaries, or their several transactions do not belong to a package of the transaction; it shall be differentiated as an individual financial statement and combined financial statement for corresponding accounting:

(1) In an individual financial statement, as for equities to be disposed of, the balance of its book value and actual payment of the price shall be included in current profits and losses. As for disposed of residual equity which can implement joint control of invested company or make a great influence on it, we shall calculate it as equity method; consider the residual equity to be adjusted as the equity method since receiving it. As for disposing residual equity which cannot implement joint control of invested company or make great influence on it, we shall do accounting as the stipulations of *No. 22 Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and losses since the day when losing control.

(2) In combined financial statement, as for the formal transactions made before the subsidiaries losses control right, disposed price and long-term equity investment shall correspond to the balance of all shares of net assets which is calculated continuously in the subsidiaries since purchase date or combined date. Adjust the capital reserve (capital stock premium); if the capital reserve is not enough to write down, adjust the retained earnings; when losing the control right of subsidiaries, as for residual equity, calculate again as fair value since the day when losing the control right. The sum of consideration obtained by disposing equity and fair value of residual equity deducts the balance of shares of net assets which is calculated continuously in original subsidiaries since the purchase date as original proportion and get a result. Count the result into the current investment income when losing control right and then write down reputation. Other comprehensive income and other Items relating to an equity investment of original subsidiaries shall be converted into current investment income when losing control right.

Dispose of the equity investment of subsidiaries until all transaction is taken as a package of transactions when losing control right. Take all transactions as a package of transactions. Conduct corresponding accounting on one transaction disposing equity investment of subsidiaries and losing control right at the same time. Conduct corresponding accounting by differentiating individual financial statement and combined financial statement:

(1) In the individual financial statement, before losing the control right, when disposing of the balance of payment of price and book value of corresponding long-term equity investment each time, determine it as other comprehensive income and convert it into current profits and losses when losing control right.

(2) In combined financial statement, before losing the control right, when disposing of the balance of shares of net assets of the company corresponding to investment each time, determine it as other comprehensive income and convert it into current profits and losses when losing control right.

6. Method of impairment test and withdrawal method of provision of impairment

Balance sheet date, in case that book value of long-term equity investment being more than the share of equity book value of invested company's owner or other similar cases happen, conduct asset impairment test on long-term equity investment according to *No. 8 Accounting*

Standards for Business Enterprises-- Asset Impairment and then take back the part which is below book value of long-term equity investment and withdraw the provision of impairment. The fair value of single long-term equity investment deducts the net value which is deducted disposing expenses and gets a result. Comparing it with expected future cash flow of long-term equity investment, the higher one will be determined as the recoverable amount of long-term equity investment. When the recoverable amount is lower than book value, write down the book value of the asset to the recoverable amount. The amount written down is determined as the assets impairment loss and counted into current profits and losses. Meanwhile, withdraw its corresponding provision of asset impairment.

Impairment loss of long-term equity is not to be reversed once recognized.

note 13 Investment properties

Investment properties are properties to earn rentals or for capital appreciation or both includes leased land use right, held land use right which will be transferred after appreciation and leased building.

Investment properties of the company are initially recognized at cost. The cost of outsourced investment properties is composed of purchasing price, related taxes and other expenses on direct allocation to the asset and the cost to build it on one's own and all necessary expenses on works for reaching its expected workable state.

The Company adopt cost value mode to do subsequent measurement. According to expected service life and net salvage rate, we do withdrawing, depreciation and amortization for building and land use right. Expected service life, net salvage rate and annual depreciation rate (amortization) are shown as follows:

Category	Expected service life(year)	Net salvage rate	Annual depreciation rate (amortization)
Land use right	40years	5%	2.375
Building	25-40years	3%-5%	2.375-3.88

Since the day when investment properties are changed for own use, it will be transferred into fixed asset or intangible asset by the Company. Since the day when the real estate is changed to earn rent or capital gain, it will be converted to investment real estate from fixed assets or intangible assets. After the conversion, the previous book value will be taken as the entry value.

At balance sheet date, as for the investment properties tend to depreciate, the company will estimate its recoverable amount. If the amount is lower than book value, we confirm corresponding impairment loss. Once recognized, it cannot be turned back anymore.

When the investment properties is disposed or never can be used and it is expected that no economic income can gain from its disposition, terminate on recognition of the investment properties. After investment real estate is sold, transferred, scrapped or damaged, the gained

amount deducts its book value and corresponding taxes, which will be counted into the current profits and losses.

note 14 Fixed assets

1. The conditions of recognition for the fixed assets

Fixed assets indicate tangible assets for the producing commodity, providing labor service, renting or operating management, and operating life is more than a fiscal year. The following condition shall be met simultaneously to confirm as fixed assets:

- (1) The relevant economic benefits are likely to flow into the enterprise.
- (2) The cost of the fixed asset can be measured reliably.

2. The initial measurement of fixed assets

The fixed assets of this company are measured initially at cost. Among it, the outsourcing fixed assets cost includes purchase price and import tax and related tax fee, and other expenditure can be assigned to the assets to bring the assets to the expected condition for use. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred in bringing the asset to the expected conditions for use. The fixed assets invested by investors recognized the value of a recorded value according to invest contract or agreement, but the unfair value in the contract or agreement in accordance with the fair value as recorded value. The price for purchasing a fixed asset is delayed beyond the normal credit conditions, actually has financing nature, the cost of fixed assets shall be recognized based on present value of the purchase price. The balance between the actual paid money and purchasing price, except capitalized part, should be included current profits and losses.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Except for fixed assets which are fully depreciated and are still being used, the land which is separately accounted and the highway property which is self-constructed and operated ,fixed assets depreciation shall be calculated and provided by straight-line method and depreciation rate shall be determined according to fixed assets' categories, estimated useful life and estimated residual rate. For subsequent expenditure of self-built and operated fixed highway assets (include highways, bridges, structures and safety facilities), annual depreciation of them shall be calculated on the basis of the ratio of actual annual traffic flow in specific years against estimated total traffic flow in residual toll period.

For fixed assets generated by special reserve expenditure, we should deduct the special reserves on the base of the cost of fixed assets formation and determine the accumulated depreciation of the same amount. This fixed asset should not be calculated and provided for depreciation in the future.

The company determines the estimated useful life and estimated the residual rate of fixed assets according to their natures and usage conditions. And in the end of the year, the company verifies the estimated useful life and estimated residual rate and depreciation methods of fixed

assets. If differences exist when compared to original estimates, the adjustments shall be made accordingly by the Company.

Depreciation year limit and depreciation rate of various types of fixed assets

Category	Estimated useful life (year)	Estimated net salvage rate (%)	Annual depreciation rate (%)
House, building	3.00-50.00	3.00-5.00	1.90-32.33
Machinery and equipment	3.00-25.00	3.00-5.00	3.80-32.33
Transportation	3.00-15.00	3.00-5.00	6.33-32.33
Electronic equipment	3.00-5.00	3.00-5.00	19.00-32.33
Office equipment	3.00-5.00	3.00-5.00	19.00-32.33
Hotel furniture	3.00-5.00	3.00-5.00	19.00-32.33
Railway assets	5.00-100.00	1.00-5.00	0.95-19.80
Others	3.00-15.00	3.00-5.00	6.33-32.33

(2) Subsequent expenditure on fixed assets

The subsequent expenditures relevant to fixed assets should be recorded at cost of fixed assets when they comply with the conditions of fixed assets recognition, and should be recorded into the current Profit or Loss when they don't comply with the conditions of fixed assets recognition.

(3) Disposal of fixed assets

When the fixed assets are disposed or are forecasted that their usage or disposal shall not generate economic benefits, the fixed assets should be derecognized. The income of disposal of fixed assets including sale, transfer, scrapping or damage shall be recorded into the current "Profit or Loss" when the book value and relevant tax fee are deducted.

4. Fixed asset impairment test methods, impairment preparation calculation and provision methods

The company determines if the fixed assets signs of possible impairment at the end of each period.

If there is any indication of impairment of fixed assets, the recoverable amount is estimated. The recoverable amount of value should be determined according to the higher value between the net value gotten by the fair value of fixed asset minus disposal cost and the present value of estimated future cash flows of fixed asset.

When the recoverable amount of fixed assets is lower than its book value, we should write down the book value of fixed asset to its recoverable amount, and the amount reduced is recognized as impairment loss of fixed asset, and should be written down into the "Profit or Loss" in this period, and at the same time corresponding preparation of impairment of fixed asset should be calculated and provided.

After the fixed asset impairment losses are recognized, depreciation of impairment of fixed asset will be adjusted in the future period, so that the fixed asset could apportion systematically adjusted fixed asset book value (Estimated residual value is deducted) within the remainder of its life.

Once the impairment of fixed asset is recognized, it cannot be reversed in a subsequent accounting period.

When there are indications of possible impairment of one fixed asset, the company shall estimate the recoverable amount based on a separate fixed asset. When the company feels hard to estimate the recoverable amount of one fixed asset, it shall determine the recoverable amount of the asset group based on the asset group to which the mentioned fixed belongs.

5. The financing leased assets recognition basis, measurement methods and depreciation methods

When the company's leased fixed assets meet one or more of the following criteria, they are recognized as leased assets:

- (1) At the expiration of the lease period, the ownership of the leased asset is transferred to the Company.
- (2) The company has the right of option to buy the leased asset, and the purchasing price which is expected is far lower than the fair value of the leased asset when the right of option is executed, thus it could be reasonably certain that the company will exercise the right of an option since leasehold starting date.
- (3) Even if the ownership of the asset is not transferred, the lease term covers most of the useful life of the leased asset.
- (4) The present value of the minimum lease payment of the company since leasehold starting date is almost equal to the fair value of the leased asset at the leasehold starting date.
- (5) The leased asset is of a specialized nature, and without making major modifications, only the Company can use it.

For financing leased fixed asset, the lower value between the fair value of leased fix asset at leasehold starting date and the present value of the minimum lease payment shall be seen as the recorded value. Minimum lease payment is seen as recorded value of long-term payables, and its difference shall be seen as unrecognized financing costs. All the initial direct costs including processing fees, lawyer's fees, traveling expenses, stamp duty which are attributable to the leased Items which occurs during the negotiation of leasehold and signing of leasehold contract, shall be recorded as the leased asset. And unrecognized financing costs in each period during the lease term should be divided using the effective interest method.

The Company uses its own policy for depreciation of fixed assets which corresponds to its own fixed asset to calculate and provide the depreciation of financing leased fixed asset. For those which can be reasonably determined that they can get the ownership of the leased asset at the end of the leasehold term, depreciation should be calculated and provided to the life of leased asset. And for those which can't be reasonably determined that they can get the ownership of the leased asset at the end of the leasehold term, depreciation should be calculated and provided within the shorter term between the lease term and the leased asset usage life term.

note 15 Construction in process

1. Types of constructions in process

The price of self-constructed constructions in process of the Company should be recorded as per the actual costs. The actual costs are composed of the necessary expenses incurred before this construction asset reaches to the predetermined serviceable condition, including materials costs, labor costs for projects, relevant paid expenses of taxation, borrowing costs that should be capitalized and the indirect expenses that should be shared and so on. Constructions in process of the Company should be examined and calculated as per classification of projects.

2. Standard and time point for the constructions in process to be transferred into fixed assets

The whole expenses of constructions in process incurred before this construction asset reach the predetermined serviceable condition should be regarded as the entry value of the fixed asset. For the constructed construction in process that has reached the intended serviceable conditions but have not yet gone through budget needed for the completion of project, they should be transferred in the fixed assets as per the estimated value and in accordance with the budget and costs of the project or the actual costs of the project etc. since it reaches the intended serviceable conditions; and depreciation of the fixed asset should be counted and drawn as per the Company's depreciation policy related to fixed assets. After the budget needed for the completion of the project, the original temporary estimated value should be adjusted according to actual cost. However, the original amount of depreciation counted and drawn should not be adjusted.

3. Impairment test method and counting and drawing methods of impairment provision of construction in process

The company shall judge whether construction in the process may occur the signs of impairment at the end of every period.

If there is a sign showing that impairments of construction in the process may occur, the Company shall estimate its recoverable amount based on a single construction in process. If the Company is difficult to estimate the recoverable amount of a single construction in the process, the recoverable amount of the asset unit should be determined based on the affiliated asset unit of this construction in process. The recoverable amount should be determined as per the higher one between the value acquired through using the fair value of the construction in the process to

subtract the net amount after disposal and the current value of the expected future cash flow of the construction in process.

When the recoverable amount of the construction in the process is lower than the book value of the construction in the process, the write-down of the book value of the construction in the process should be conducted to the recoverable amount. The write-down amount should be recognized as the impairment losses of the construction in process, which should be included in the losses and profits of the current period. And at the same time, the impairment provision of the corresponding construction in process should be counted and drawn. The impairment losses should not be transferred back in the following accounting period provided that the impairment losses of the construction in the process are recognized.

note 16 Borrowing costs

1. Principle for recognition of capitalized borrowing costs

The borrowing costs occurred to the company that can be directly attributed to the construction or production of assets that conform to the condition of capitalization should be capitalized on the premise of conforming to the condition of capitalization, which should be included in costs of relevant assets. And other borrowing costs should be recognized as expenses as per their amount incurred and included in the losses and profits of the current period.

The assets conforming to the condition of capitalization refer to the fixed assets, investment real estate and inventory and other assets that only can reach the intended serviceable condition or marketable condition after a quite longstanding construction or production activities.

Capitalization should be started if borrowing costs satisfy following conditions at the same time:

- (1) Asset expenses have been incurred. The asset expenses include expenses incurred in the form of paying cash, transferring non-cash assets or assuming interest-bearing debt in order to construct or produce assets conforming the condition of the capitalization;
- (2) Borrowing costs has occurred;
- (3) Activities related to construction or products that are necessary for making the assets reach the intended serviceable condition or marketable conditions have started.

2. Capitalization period of borrowing costs

The capitalization period refers to the period from the time point of starting capitalization of borrowing costs to the time point of stopping capitalization of borrowing costs. The suspension period of capitalization of borrowing costs is not included.

When constructed or produced assets conforming to the condition of the capitalization reach intended serviceable condition or marketable condition, capitalization of borrowing costs should be stopped.

When a part of Items of constructed or produced assets conforming to the condition of the capitalization are separately completed and can be used individually, capitalization of this part of borrowing costs should be stopped.

For the constructed or produced asset whose all parts are completed separately but it only can be used or sold after overall completion, capitalization of borrowing costs should be stopped when the overall completion of this asset is achieved.

3. Suspension period of capitalization

If the abnormal interrupt of assets conforming to the condition of capitalization occurs continuously for more than 3 months in the process of construction or production, capitalization of borrowing costs should be suspended. If this interrupt is the necessary program for constructed or produced assets conforming to the condition of capitalization to reach the intended serviceable condition or marketable condition, capitalization of borrowing costs should be continued. Borrowing costs incurred during the period of interrupt should be recognized as losses and profits of the current period. And capitalization of borrowing costs should be continued until construction or production activities of assets start again.

4. Computing method of capitalizing amount of borrowing costs

The interest expenses of the specific borrowings (subtract interest income acquired through putting unused borrowing money in the bank or the investment income from temporary investments) and their auxiliary expenses should be capitalized before constructed or produced assets conforming to the condition of the capitalization reach intended serviceable condition or marketable condition.

The interest amount from capitalization of general borrowings should be calculated and determined by using the weighted average of asset expenses of the part that accumulated asset exceeds the specialized borrowing to multiply the capitalization rate of the general borrowings occupied. The capitalization rate should be calculated and determined as per the weighted average interest rate of the general borrowings.

For borrowings that on discount or premium condition, the amount of cut-rate price or the premium that should be amortized during every accounting period should be determined as per the actual interest rate method to adjust the amount of interest of each period.

note 17 Biological assets

1. Biological assets refer to living animals and plants, including consumptive biological assets, productive biological assets, and public welfare biological assets;

2. The biological assets are measured at cost. The depreciation of productive biological assets adopts the straight-line method; Expected useful life, expected net salvage value, and annual depreciation rate of the productive biological assets of the Company are as follows:

Category of assets	Expected useful life (year)	Expected net salvage value (%)	Annual depreciation rate (%)
Cow	5	5	19
Economic forest	15	5	6.33
Honeysuckle	15	3	6.47

Determine the basis: The Company shall, in accordance with the nature of a productive biological asset, the information about the utilization, and the form of realization of the relevant expected economic benefits, reasonably ascertain the useful life and expected net salvage value. The company shall, at the end of each year, have a check on the useful life, expected net salvage value, and depreciation method of the productive biological assets. If the values differ from expected values, relevant adjustments shall be conducted.

3. Harvesting or selling consumable biological assets or productive biological assets when harvesting agricultural products, the use of weighted average method carry forward costs.

4. At the balance sheet date, the subsequent measurement of biological assets in a cost model, when there is conclusive evidence that due to natural disasters, pests and diseases, animal disease invasion or changes in market demand and other reasons, so that the consumption of biological assets can be net realizable or productive biological assets of the recoverable amount is less than its book value, the consumable biological assets are subject to the provision for impairment in accordance with the method described in the Note 3 of the financial statements. The difference between the book value and recoverable amount shall be made for the provision for impairment of the production of biological assets.

5. Public welfare biological assets are neither amortized nor provision for impairment.

note 18 Intangible asset

Intangible assets are identifiable non-monetary assets that are owned or controlled by the Company without physical form.

1. Initial measurement of the intangible asset

Costs of intangible assets purchased outside consist of the acquisition price, related expenses of taxation, and other costs incurred directly because of making this asset reach to intended purposes. If the deferred payment incurred when the cost of the purchased intangible asset exceeds the average creditor terms has a financial nature, in essence, the cost of the intangible asset should be determined based on the current value of the purchased price.

For the intangible asset of the debtor used for offsetting debt which is acquired through debt restructuring, the entry value of the intangible asset should be determined based on the fair value of this intangible asset. And the balance between the book value of the restructured debt and the fair value of this intangible asset for offsetting debt should be included in losses and profits of the current period.

On the premise that the non-monetary assets exchange has the commercial essence and the fair value of the swap-in asset or swap-out asset can be calculated reliably, the entry value of the swap-in intangible asset during the period of the non-monetary assets exchange should be determined based on the fair value of the swap-out asset during the duration of the non-monetary assets exchange except that there is an unambiguous evidence showing that the fair value of the

swap-in asset is more reliable; For the non-monetary assets transfer that does not satisfy above premise, the book value of the swap-out asset and the relevant expenses of taxation that should be paid should be recognized as the cost of the swap-in intangible asset, and losses and profits should not be recognized.

For the intangible asset acquired in the way of consolidation by the merger of the enterprise under the standard control, its entry value should be determined as per the book value of the combined party. For the intangible asset acquired in the way of consolidation by the merger of the enterprise under the non-common control, its entry value should be determined as per the fair value.

For the self-developed intangible asset of interior, its costs include: the consumed materials, labor costs, registration charges for developing this intangible asset, amortization of other patent rights and rights of special permission used in the development process and the interest expenses satisfying the condition of capitalization in the development process and other direct expenses incurred before making this intangible asset reach for the intended purposes.

2. Subsequent measurement of intangible assets

The Company should analyze and judge the service life of the intangible assets when acquiring the intangible asset. The intangible assets should be divided into the intangible assets with limited service life and the intangible assets with the uncertain service life.

(1) Intangible assets with limited service life

For the intangible assets with limited service life, they should be amortized with straight-line method within the period of bringing the economic benefits to the enterprise. Intangible assets with limited service life include:

Category of assets	Useful life	Amortization method	Remark
Software	5	Straight-line method	
Patent	Benefit period	Straight-line method	
Land use right	Recorded term on certificate of land use right, 40 years if not recorded	Straight-line method	
Highway management rights	25-30	Traffic flow method	

At the end of every period, the service life and the method of amortization of intangible assets with limited service life should be reviewed. If there are differences between the value of review and the original estimated value, the corresponding adjustment should be made.

(2) Intangible assets with uncertain service life

For intangible assets that bring economic benefits to the enterprise for unforeseen periods,

they will be recognized as the intangible assets with uncertain service life. For the intangible assets with uncertain service life, the amortization should not be conducted within the holding period, and review should be conducted for the service life of them at the end of every period. If the intangible assets with uncertain service life still have the uncertain service life after the review at the end of the period, the impairment test should be continued during every accounting period.

3. Provision for impairment intangible asset

For the intangible asset with the certain service life, if there is a sign of obvious impairment, the impairment test should be conducted at the end of the period.

For the intangible asset with the uncertain service life, the impairment test should be conducted at the end of the every period.

For the intangible asset, the impairment test should be conducted and its recoverable amount should be estimated. The recoverable amount should be determined as per the higher one between the net amount acquired through using the fair value of the intangible asset to subtract disposal expenses and the current value of the expected future cash flow of the intangible asset.

When the recoverable amount of the intangible asset is lower than the carrying value of the intangible asset, the write-down of the book value of the intangible asset should be conducted to the recoverable amount. The depreciation amount should be recognized as the impairment losses of the intangible asset, which should be included in the losses and profits of the current period. And at the same time, the impairment provision of the corresponding intangible assets should be counted and drawn.

After confirming the impairment losses of the intangible asset, depreciation or amortized expenses of the impaired intangible asset should be adjusted correspondingly during the period of the future to make this intangible asset systematically share the book value (subtracting the estimated net salvage) of the intangible asset after adjustment within the remaining service life.

The impairment losses should not be transferred back to the following accounting period provided that the impairment losses of the intangible assets are recognized.

If there is a sign showing that impairments of an intangible asset may occur, the Company shall estimate its recoverable amount based on a single intangible asset. If the Company is unable to estimate the recoverable amount of an individual asset, the recoverable amount of an intangible asset group shall be determined based on asset group for which the intangible asset belongs to.

4. Specific standards for dividing the research stage and development stage of the internal research & development projects of the Company

Research stage: the stage of first and planned survey and research activities conducted to obtain and understand new scientific or technical knowledge and so on.

Development Stage: The stage of activities that make the research results or other knowledge used in a plan or design to create new materials, equipment and products, etc. or produce materials, equipment and products with the substantial improvement in commercial production or use.

Expenses of the research stage of the internal research & development projects should be included in losses and profits of the current period when they occur.

5. Specific standards for the expenses of the development stage conforming to capitalization

If the expenses of the internal research & development projects at the development stage satisfy following conditions at the same time, they will be recognized as the intangible assets:

- (1) The completion of the intangible asset for use or sale is technically feasible.
- (2) Has the intention of making this intangible asset completed and used or sold;
- (3) The ways that the intangible asset produces the economic benefits include the methods that can prove that products manufactured by using this intangible asset exist markets or the intangible asset itself has markets and can demonstrate the usefulness of the intangible asset when it is employed in the interior;
- (4) Has enough support in aspects of technology, financial resources and other resources to finish development of this intangible asset and can to use or sell this intangible asset;
- (5) Expenses attributable to the development stage of this intangible asset can be calculated reliably.

Expenditure at the development stage that does not satisfy above conditions should be included in losses and profits of the current period when they occur. Development expenses that have been included in losses and profits during the previous periods should not be recognized as assets again during the following periods. Expenses at the development stage that has been capitalized should be listed in the development expenses on the balance sheet, and they should be transferred into the intangible assets since the day when this project reaches the intended purposes.

note 19 Long-term unamortized expenses

Long-term unamortized expenses refer to the expenses that are occurred but shall be borne in this period and later with the prepaid period of over a year. The long-term unamortized expenses shall be amortized with the straight-line method during the benefit period.

note 20 Employee benefits

Employee benefits refer to the various forms of remuneration or compensation for the service provided by the employees or for termination of employment relationship. Employee benefits include short-term payroll, post-employment benefits, termination benefits and other long-term employee benefits. Benefit provided to the spouse, children, dependents, dependents of deceased employee and other beneficiaries are also included in employee benefits.

1. Short-term salaries

Short-term remuneration refers to the employee remuneration that the company needs to pay in full within 12 months after the end of the annual reporting period for employees to provide related services, post-employment benefits and termination benefits except leave. The company's short-term salary specifically includes: Wages, bonuses, allowances and grant, welfare benefits

payable; medical insurance premiums; industrial injury insurance premiums, birth insurance premiums and other social insurance premiums; housing fund; labor union funds and staff education expenses; short-term compensated absences; short-term profit sharing plan and other short-term compensation. During the accounting period in which employees provide services, the short-term payable should be recognized as liabilities, and the relevant asset costs and expenses should be recognized in accordance with the beneficiaries of the services provided by the employees. Short-term remuneration is a non-monetary benefit and is measured at fair value.

2. Post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits provided by the company after the employee retires or terminates the labor relationship with the enterprise for the services provided by the employee, except for short-term remuneration and termination benefits.

The company's post-employment benefit plan is classified into defined contribution plan and a defined benefit plan.

The defined contribution plan is the social basic pension insurance and unemployment insurance organized by local labor and social security institutions which withdraw mainly for the employee in the service period. The amount of the deposit due calculated according to the defined contribution plan is recognized as liability, and included in the current profit and loss or related cost of capital.

3. Termination benefits

Dismissal benefits refer to the compensation provided to employees due to the termination of employment relationship before due date of employment contract, or the compensation provided to employees to encourage them to accept employee curtailment. The Company recognizes employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- ① The date when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or
- ② The date when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

The company provides internal retirement benefits to employees who have accepted internal retirement arrangements. Internal retirement benefits refer to salaries and social insurance premiums paid to the employees who have not reached the retirement age specified by the state, and who have voluntarily withdrawn from work after approval by the management of the company. The company will pay internal retirement benefits to the employees who have retired from the date of the internal retirement arrangement to the date that employee reaches the normal

retirement age. For the internal retirement benefits, the company performs accounting treatment in accordance with the termination benefits. Once the conditions of termination benefits recognition are met, the salary and the social insurance premiums during the period from the cessation of service to the normal retirement date will be recognized as liabilities and will be recognized in profit or loss in the current period. The change of benefit which caused by changes in actuarial assumptions and changes in welfare standards will be recognized in profit or loss once incurred.

4. Other long-term employee benefits

Other long-term employee benefits refer to employee benefits other than short-term salaries, post-employment benefits, and termination benefits.

note 21 Share-based payments

1. Types of Share-based payments

The shares of the company are divided into equity-settled share-based payment and cash-settled share-based payments.

2. Method for determining the fair value of equity instruments

For granted option existed in the active market, fair value is determined according to the price in the active market. For granted option doesn't exist in the active market, fair value is calculated according to the option pricing model. The option pricing model we choose should consider the following factors: (1) Option exercise price; (2) Validity of option; (3) The current price of the underlying shares tagged; (4) Expected volatility of stock price; (5) the expected dividend of the shares; (6) risk-free interest rate within the options validity period.

While affirming the fair value of the equity instruments grant date, we should consider the influence of the market conditions in the vesting conditions and non-vesting conditions in the provisions of the share payment agreement. The share payments with non-vesting conditions, as long as the staff or other place fit the non-market conditions (such as service duration, etc.) in the vesting conditions

3. Basis of the best estimate of the vested equity instruments

Each balance sheet date during the waiting period, management makes the best estimate according to the changes in the number of employees and available right and other follow-up information, and correct the expected number of equity instrument of the available right. On the exercise day, the final expected exercised number of investment instrument should be equal to the actual exercised number of the equity instrument

4. Implementation, modification and termination of the relevant accounting treatment about share payment plan

The Equity-settled share payment should be calculated according to the fair value of the equity instruments granted to the employees. Those payments executed immediately after granted should be recorded in the related costs or expenses according to the fair value of the equity

instruments and adding the capital reserve correspondingly. Feasible right can get only after the services complete or reach the specified performance conditions, on each balance sheet date during the waiting period, take the best estimate of the expected number of equity instrument as the basis, according to the fair value of the equity instruments grant date, record the service acquired in the current period into the relevant costs or expenses and the capital reserves. After the feasible right day shall no longer adjust the total of the affirmed relevant cost or expense and owner's equity

The cash-settled share payment should be calculated according to the fair value of the liabilities that based on shares or other equity instruments which the company bares. Those payments executed immediately after granted, the fair value of the liability of the company at the date of the grant should be involved in the relevant costs or expenses correspondingly increase the liabilities. Feasible right of the cash-settled share payment can get only after the services complete or reach the specified performance conditions, on each balance sheet date during the waiting period, take the best estimate of the expected number of equity instrument as the basis, according to the fair value of the equity instruments grant date, record the service acquired in the current period into the relevant costs or expenses and the capital reserves. In each balance sheet date and the date of settlement before the settlement of the related liabilities, the Company re-measure the fair value of liabilities, the changes are recorded in the current profits and losses.

5. As for the existing conditions of the modification of the terms and conditions, the current modification situation and related accounting treatment

If we canceled the granted equity instrument during the waiting period, the Company will treat the granted equity instruments that canceled as accelerated execute right, take the amount of the remaining waiting period recorded as the profit and loss of the current period, and affirm the capital reserve at the same time. Staff and other parties can choose those who meet no vesting conditions but did not in the waiting period; the Company will deal with it as the cancel of the granted equity instrument.

note 22 Bonds payable

1. General corporate bonds

It shall be calculated based on the fair value and changed amount for bonds payable included in current profits and losses shall be regarded as initially recognized amount; related transition cost shall be directly accrued into current profits and losses and following measurement subjects to the fair value.

For other bonds payable, the sum of fair value and associated transaction expenses shall be regard as initially recognized amount and amortized cost shall be used for subsequent measurement. Premium or discounts correspond to interest expense adjustment in bonds period of existence. And in such period, effective interest method shall be used for amortization.

2. Convertible corporate bonds

Partition of liability elements and interests shall be made on convertible corporate bonds

issued by this company at initial recognition stage, that is debt shall be regarded as bonds payable and interests shall be regarded as capital reserves. In partition process, future cash flow for debts shall be accrued to initial recognition amount and amount which deducts initial debts recognition amounts from issue price shall be accrued to initial interest recognition amount. Transaction expenses generated by convertible corporate bonds shall be divided according to respective fair values between debts and interests.

note 23 Accrued Liabilities

1. Recognition Criteria of Estimated Liabilities

If obligations are related to accounting matters and satisfy the following conditions, the company recognize as estimated liabilities: ①The obligation is a current one; ②Performing of the obligation probably results in the outflow of economic benefits from the company; ③The amount of the obligation can be measured reliably.

2. Measuring Methods of Estimated Liabilities

Upon initial measurement, the company's estimated liabilities should be measured by the best estimate of the expenditure which is required to fulfill the obligation.

When it comes to the determination of the best estimate, the company considers relative risks, uncertainties, time value of money and so on. As to those that have a significant influence on the time value of money, the best estimate is determined by the discounted future cash outflow.

The best estimate is dealt with as follows:

If the necessary expenditure is in a continuous range (or an interval), and the possibilities of all results are the same with the range, the best estimate will be determined by the median of the range, i.e. the average of the highest and the lowest limits.

When the required expenditure is not in a continuous range (or a interval), or it is in a continuous range in which the possibilities of all results are not the same, if the matter is related to single Items, the best estimate is determined by the expenditure with the greatest possibility; if the matter is related to multiple Items, the estimate is determined by all the results and their probability.

When the company pays off estimated liabilities, and all or part of the estimated liabilities are expected to compensate by a third party, the compensation amount is recognized separately as assets under the condition that it is roughly available; the recognized compensation amount should not exceed the book value of estimated liabilities.

note 24 Income

1. Criteria on timing of recognition of revenue from sales

The company has transferred the significant risks and rewards of products ownership to the buyer; the company doesn't conserve the right of continue management related to the ownership, and it also doesn't have an effective control over the goods sold; the amount of income can be measured reliably; relevant economic benefits probably flow to the enterprise; products marketing

income should be recognized when the relative costs that have incurred or is going to incur can be measured reliably.

When contract or agreement price should be received in the deferred way, which in nature is a financing method; products sales revenue should be determined by the price of contracts or agreements receivable measured at fair value.

2. Basis for recognition of revenue from demising the right to use assets

Economic benefits related to transactions likely flow into the enterprise. When some revenues can be measured in a reliable way, the amount of revenue from demising the right to use assets shall be ascertained based on following circumstances, respectively:

- (1) The amount of interest revenue should be measured and recognized by the length of time for which the enterprise's cash is used by others and the actual interest rate;
- (2) The amount of royalty revenue should be measured and recognized by the period and method of charging as stipulated in relevant contract or agreement.

3. Basis and Methods for Recognizing Income from Providing Services

On the date of the balance sheet when the result of service-providing can be measured reliably, its income should be recognized under the percentage-of-completion method. Completion status should be provided which is based on the amount of work finished.

That the result of service-providing can be measured reliably should satisfy the following conditions:

- (1) The amount of income can be measured reliably.
- (2) Relevant economic benefits are likely to flow into the enterprise.
- (3) The completion status of the transaction can be determined reliably.
- (4) The costs incurred and to be incurred during the transaction can be measured reliably.

The total amount of service-providing income is measured by the price agreed in the received or receivable contracts or agreements, except those without being measured at fair value. The current service income is the difference between the amount of service income multiplied by percentage-of-completion on the date of Balance Sheet and the recognized service income accumulated during previous accounting periods; at the same time, the current service cost is the difference between the total estimated service costs multiplied by percentage-of-completion and the recognized service costs accumulated during previous accounting periods.

On the date of Balance Sheet when the result of service-providing cannot be estimated reliably, it should be handled as follows:

- (1) As to the service costs incurred that are expected to get compensated, the income should be measured by service costs incurred and service costs should be over carried by the same amount.
- (2) As to the service costs incurred that are expected not to get compensated, service costs incurred should be credited to the current profit and loss without service income recognized.

As for the contracts or agreements signed by the company and others that include products

sales and service providing, products sales and service providing should be distinguished and measured separately, which means the section of products sales is regarded as selling products and the section of service providing as providing services. If products sales and service providing cannot be distinguished, or they can be distinguished but cannot be measured separately, both of them should be regarded as parts of the total sales of products.

4. Transfer of assets with buyback conditions

When the enterprise sells products or transfers other assets, it signs buyback agreements with buyers; so whether products sold can be regarded as income should be determined by the agreements. If the buyback is one kind of financing trading, it shouldn't be recognized as income during the delivery of products or assets; if the buyback price is more than that of selling, their difference's interests during the buyback should be credited to financial expenses.

note 25 Construction Contracts

1. If the result of construction contracts can be estimated reliably, revenue and cost associated with contracts should be recognized with percentage-of-completion method. The percentage-of-completion method means measuring revenue and cost by the completion status of contracts. Completion status is the percentage of the accumulated costs incurred and the total estimated costs in the contracts.

That the result of price-fixed contracts can be estimated reliably should satisfy the following:

- (1) Contracts' total revenue can be measured reliably.
- (2) Economic benefits related to contracts are likely to flow into the enterprise.
- (3) Contracts costs incurred can be distinguished clearly and measured reliably.
- (4) Completion status of contracts and costs needed to finish the contracts can be measured reliably.

That the result of straight cost plus contracts can be estimated reliably should satisfy the following conditions:

- (1) Economic benefits related to contracts are likely to flow into the enterprise.
- (2) Contracts costs incurred can be distinguished clearly and measured reliably.

The difference between the total contract revenue multiplied by percentage-of-completion on the date of Balance Sheet and the recognized revenue accumulated during previous accounting periods is the current contract's revenue; at the same time, the difference between the estimated contract cost multiplied by percentage-of-completion and the recognized cost accumulated during previous accounting periods is the current contract cost. Changes of contract projects, claims and bonuses should be credited to the total contract revenue as the potential revenue that can be reliably measured.

2. That the result of straight cost plus contracts cannot be estimated reliably should satisfy the following conditions:

- (1) If contract cost can be recovered and contract revenue recognized based on the cost that can be recovered, the contract cost in the period in which it is incurred is regarded as the contract expense.

(2) If contract cost cannot be recovered, it should be credited to the contract payment the moment it incurs and cannot be recognized as contract revenue.

3. If the total contract cost is likely to exceed the total contract revenue, the expected loss should be recognized as expense immediately.

note 26 Government Grant

1. Types

Government Grant is monetary and non-monetary assets received by the company from the government, but they don't include the capital invested by the government as owner of the enterprise. Based on assistance objects stipulated in public document, government grant are divided into assets-related and income-related.

Assets-related government grant are those acquired by the enterprise for purchasing long-term assets or building long-term assets in other ways. Except for assets-related government grant, the rest are income-related government grant.

2. The recognition of government grant

If there is evidence showing the enterprise meet fiscal support policies and is expected to receive the fiscal support funds at the end of accounting period, government grant shall be recognized as amount receivable. Otherwise, government grant shall be recognized when received.

If government grant are monetary assets, they shall be measured by the amount received or receivable. If government grant are non-monetary assets, they shall be measured as fair value; in case the fair value cannot achieve reliably, they shall be measured by the nominal amount (1yuan). Those that are measured by nominal amount shall be credited to current profit and loss.

3. Accounting Treatment

(1) The company uses the total method.

(2) The government grant related to assets is recognized as deferred Income, and are recognized as the non-operating income according to the useful life of the assets built or purchased. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the undistributed related deferred income shall be transferred to the profit or loss of the asset disposal in the current period.

For government grant that include both the asset-related portion and the income-related portion, the accounting for different parts is separately performed; if it is difficult to distinguish, it is classified as a government subsidy related to income.

(3) The government grant related to daily activities shall be included in other income in accordance with the essence of economic business. Other government grant that is unrelated to the daily activities of the company shall be included in non-operating income and expenses.

(4) The Company disburses the policy-based discounted interest discounted loans in two cases in accordance with the government's disbursement of the interest-bearing funds to the lending banks and the finance directly disburses the interest-bearing funds to the company.

1) The government's disbursement of the interest-bearing funds to the lending banks. If the lending bank provides loans to the company at a policy-based preferential interest rate, the company will use the borrowing amount actually received as the entry value of the loan and calculate related borrowing costs according to the loan principal and the policy.

2) The finance directly disburses the interest-bearing funds to the company. The company shall offset the relevant borrowing costs by the corresponding discount interest.

(5) When a recognized government grant needs to be returned, if there is a related deferred income balance, the deferred income is offset against the carrying amount of the deferred income, and the excess is credited to the current profit or loss. If there is no related deferred income, it is directly charged to the current profit or loss.

note 27 Deferred tax assets and Deferred tax liabilities

1. Basis for recognizing deferred tax assets

Within the limit of taxable income that is used to deduct deductible temporary difference, the enterprise recognizes deferred tax assets coming from the deductible temporary difference.

2. Basis for recognizing deferred tax liabilities

The enterprise recognizes the deductible temporary difference of current taxable income or the balance of tax payable during the previous periods as deferred tax liabilities. But deferred tax liabilities don't include goodwill and transactions formed not by business combination whose occurrence neither influences accounting profit nor the temporary difference caused by taxable income.

3. The deferred tax assets and the deferred tax liabilities are expressed in net amount when the following conditions are met:

(1) The enterprise has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis;

(2) Deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection and administration department on the same taxpayer or to different taxable entities, but in the future each of the Deferred tax assets and deferred During the period in which the income tax liabilities are reversed, the taxpayers' body intention is to settle the current income tax assets and current income tax liabilities at the same time or collect assets at the same time.

In general, in the individual financial statements, the current income tax assets and liabilities and Deferred tax assets and deferred tax liabilities are presented as net after offsetting. In the consolidated financial statements, the current income tax assets or Deferred tax assets of one party are generally not offset against the current income tax liabilities or deferred tax liabilities of the other party, unless the enterprise involved has a net The legal rights of settlement and are intended to be settled on a net basis.

note 28 Lease

If the terms in nature transfer all the risks and rewards related to the ownership of leasing assets to the lease, the lease is a financial lease; other leases are operating ones.

1. Accounting Treatment of Operation Lease

(1) Lease rentals that the company paid for the leased assets should be allocated with the straight-line method and credited to current expense during the whole rental period including the rent holiday. The initial direct costs related to the leasing transaction that the company paid should be credited to current expense.

If the assets' leaser undertakes the cost that is supposed to be borne by the company, the company should deduct the cost from the total rent, allocate the deducted rent and acquire it to the current value.

(2) Lease rentals that the company charged for the leased assets should be allocated with the straight-line method and credited to rent income during the whole leasing period including the rent holiday. The initial direct costs related to the leasing transaction that the company paid should be credited to current expense. If the sum of initial direct costs is significant, it should be capitalized and credited to current profit based on the same time-period as rent income during the whole leasing period.

If the company undertakes the cost that is supposed to be borne by the assets' leaser, the company should deduct the cost from the total rental income and allocate the deducted rent during the leasing period.

2. Accounting Treatment of Financial Leasing

(1) Assets acquired under finance lease: from the commencement of the lease, the measurement value of leased assets should be the smaller one between the leased assets' fair value and the present value of the lowest payment of rent; the minimum lease payments is acquired as the measurement value of long-term payables and their difference should be recognized as unrecognized financing costs.

The company amortize unrecognized financing costs with effective interest method during the lease period and credit it to finance expense.

(2) Assets rented out under finance lease: from the commencement of the lease; the company recognizes the difference between the sum of finance lease receivables and unguaranteed residual values and its present value as unrealized financing income and as lease income in each period when rent is received. The initial direct costs related to the leasing transaction incurred should be credited to the initial measurement of finance lease receivables and the amount of recognized income during the lease period should be reduced.

note 29 Assets Held for Sale

The Company classifies corporate components (or non-current assets) that meet both of the following conditions as held for sale: (1) Based on the practice of selling such assets or disposal

groups in similar transactions, they can be sold immediately under current conditions; (2) The sale is highly probable, a resolution has been made on a sales plan and a definite purchase commitment has been obtained. (a definite purchase commitment is a legally binding purchase agreement between the company and the other party, which includes the transaction price, Time and severe penalties for breach of contract, such as important punishments, make it impossible for the agreement to undergo major adjustment or revocation.) The sale is expected to be completed within one year. Approvals from relevant authorities or regulatory authorities have been obtained in accordance with relevant regulations.

The Company adjusts the estimated net residual value of the assets held for sale to the net amount of its fair value less selling expenses (but it must not exceed the original book value of the assets held for sale). Any difference between the original book value and the estimated net residual value is included in the current profit and loss as an impairment loss of assets, and provision for impairment of assets held for sale is made. For the amount of impairment loss of assets recognized by the disposal group held for sale, the book value of goodwill in the disposal group should be offset first, and then proportionately deducts the book value of the various non-current assets that are measured according to the application of this standard in the disposal group.

If the net amount of fair value less selling expenses of the non-current assets held for sale is increased on the balance sheet date, the amount previously written down shall be recovered within the amount of the impairment of assets recognized after being classified as held for sale and be included in the current profit or loss. Impairment losses on assets recognized prior to classification as held for sale shall not be reversed. If the net amount of fair value less selling expenses of the disposal group held for sale is increased on the subsequent balance sheet day, the amount previously written down shall be recovered within the amount of the impairment of assets recognized after being classified as held for sale which is applicable to the measurement requirements of this standard, and the reversed amount is included in the current profit or loss. The carrying amount of the goodwill that has been offset and the impairment recognized before being classified as non-current assets held for sale which are applicable to the measurement of this standard shall not be reversed. The subsequent reversal of the asset impairment loss recognized by the disposal group held for sale shall be based on the proportion of the book value of various non-current assets measured in the disposal group in addition to the goodwill measured by the standard, and shall increase its book value proportionately.

If the company loses control of a subsidiary due to the sale of its investment in the subsidiary, whether or not the enterprise retains part of the equity investment after the sale, the subsidiary shall be classified as held for sale in the individual financial statements of the parent company when the proposed sale of the subsidiary meets the conditions for classifying the company for sale. In the consolidated financial statements, all the assets and liabilities of the subsidiaries will be classified as held for sale.

note 30 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

1. The component represents either a separate major line of business or a geographical area of operations.
2. The component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.
3. The component is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The profit or loss of the discontinued operation and continued operation should be separately presented on the face of the statement of comprehensive income (income statement) or in the notes to the financial statements. For non-current assets or disposal groups held for sale that do not meet the definition of discontinued operations, the impairment loss and the reversal amount and disposal gains and losses should be presented as continued profit or loss. The impairment loss and the reversal amount of the discontinued operation should be presented as the discontinued gains and losses.

note 31 Measurement of Fair Value

1. Financial Instruments that are not measured at Fair Value

Financial assets and liabilities that are not measured at fair value include bill and account receivable, short-term loans, bill and account payable, noncurrent assets due within one year and long-term loans, equity instrument investment without quoted price in an active market whose fair value cannot be measured reliably.

The difference between the book value and fair value of the above financial assets and liabilities that are not measured at fair value is quite small; or according to the stipulation of < Recognition and measurement of financial instruments >, equity instruments that have no quoted price in active market whose fair value cannot be measured reliably should be measured by the cost.

2. Financial Instruments Measured at Fair Value

In the transaction of acquiring assets or assuming liabilities, the fair value is the price at which the assets are sold, or the liabilities are transferred (i.e. the exit value). The valuation techniques used by the company to measure the related assets or liabilities at fair value include Market approach, gains methods and costing method.

Fair value can be entirely classified into three levels, based on the lowest level of the three levels to which the important inputs used to measure fair value belong. The definitions of three levels are as follows:

Level 1: The price without adjustment of identical assets available on the date of measurement or liabilities in the active market.

Level 2: Inputs not included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include: 1) the price of similar assets or liabilities in active market; 2) the price of identical or similar assets or liabilities in inactive market; 3) other observable inputs except price, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval. 4) Inputs of market verification.

Level 3: They are Unobservable inputs of related assets or liabilities.

V. Introduction of changes in accounting policies and estimates and correction of significant previous errors

(I) Significant changes in accounting policies

In 2018, the Ministry of Finance issued the 'Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2018' (Cai Kuai [2018] 15). The impacts of changes in accounting policies are as follows:

The nature and the reasons of the changes in accounting policies	Influenced line items and amount
The Group and the Company combined notes receivable and accounts receivable as notes and accounts receivables.	consolidated notes and accounts receivables was CNY6,189,877,272.56 on 31 December, 2018; consolidated notes and accounts receivables was CNY5,439,324,234.20 on 31 December, 2017; notes and accounts receivables in parent company was CNY11,989,363.14 on 31 December, 2018; notes and accounts receivables in parent company was CNY15,455,977.40 on 31 December, 2017;
The Group and the Company combined interest receivable and dividends receivable and other receivables as other receivables.	consolidated other receivables was CNY21,164,477,164.01 on 31 December, 2018; consolidated other receivables was CNY15,839,221,010.32 on 31 December, 2017; other receivables in parent company was CNY30,357,803,121.14 on 31 December, 2018; other receivables in parent company was CNY 21,681,820,062.83 on 31 December, 2017;
The Group and the Company combined fixed assets and fixed assets pending for disposal as fixed assets	consolidated fixed assets was CNY84,939,663,522.47 on 31 December, 2018; consolidated fixed assets was CNY42,045,856,816.15 on 31 December, 2017; fixed assets in parent company was CNY9,096,950,245.11 on 31 December, 2018; fixed assets in parent company was CNY17,257,768,805.14 on 31 December, 2017;

The nature and the reasons of the changes in accounting policies	Influenced line items and amount
The Group and the Company combined construction in progress and construction materials as construction in progress	consolidated construction in progress was CNY52,230,079,116.15 on 31 December, 2018; consolidated construction in progress was CNY72,767,325,830.36 on 31 December, 2017; construction in progress in parent company was CNY322,612,181.98 on 31 December, 2018; construction in progress in parent company was CNY 204,233,200.61 on 31 December, 2017;
The Group and the Company combined notes payable and accounts payable as notes and accounts payables	consolidated notes and accounts payables was CNY22,339,771,678.32 on 31 December, 2018; consolidated notes and accounts payables was CNY16,455,902,922.42 on 31 December, 2017; notes and accounts payables in parent company was CNY477,959,954.60 on 31 December, 2018; notes and accounts payables in parent company was CNY607,369,213.08 on 31 December, 2017;
The Group and the Company combined interests payable, dividends payable and other payables as other payables	consolidated other payables was CNY24,644,673,472.91 on 31 December, 2018; consolidated other payables was CNY19,496,097,836.64 on 31 December, 2017; other payables in parent company was CNY21,916,053,461.74 on 31 December, 2018; other payables in parent company was CNY14,447,656,661.81 on 31 December, 2017;
The Group and the Company combined long-term payables and payables for specific projects as long-term payables	consolidated long-term payables was CNY5,963,833,489.60 on 31 December, 2018; consolidated long-term payables was CNY5,690,543,724.80 on 31 December, 2017; long-term payables in parent company was CNY6,287,691.04 on 31 December, 2018; long-term payables in parent company was CNY 6,287,691.04 on 31 December, 2017;
The Group and the Company presented research and development expenses separately from general and administrative expenses	Increase consolidated research and development expenses was CNY242,481,128.32 , and decrease consolidated general and administrative expenses was CNY242,481,128.32 in 2018; Increase consolidated research and development expenses was CNY223,620,406.20, and decrease consolidated general and administrative expenses was CNY223,620,406.20 in 2017; Increase research and development expenses in parent company was CNY0.00, and decrease general and administrative expenses in parent company was CNY0.00 in 2018; Increase research and development expenses in parent company was

The nature and the reasons of the changes in accounting policies	Influenced line items and amount
	CNY0.00, and decrease general and administrative expenses in parent company was CNY0.00 in 2017;
The Group and the Company presented "Including: interest expenses" and "interest income" separately under "finance expenses"	consolidated interest income was CNY1,465,008,253.19, consolidated interest expenses was CNY7,325,225,321.72 in 2018; consolidated interest income was CNY1,392,507,730.03, consolidated interest expenses was CNY6,317,337,429.31 in 2017; interest income in parent company was CNY2,167,897,345.78, consolidated interest expenses in parent company was CNY1,849,500,932.83 in 2018 interest income in parent company was CNY627,701,519.45, consolidated interest expenses in parent company was CNY2,086,382,974.88 in 2017
Adjustment of asset disposal income	consolidated asset disposal income was CNY-4,325,434.58 in 2018; consolidated asset disposal income was CNY-21,033,055.89 in 2017. asset disposal income in parent company was CNY0.00 in 2018; asset disposal income in parent company was CNY-20,424.85 in 2017.

(II) Changes in accounting estimates

The Company has no significant accounting estimates for the current year.

(III) Correction of significant previous errors

The significant previous errors affected the opening balance of initial assets of CNY 0.00; increasing of initial debts of CNY 107,823,161.53; decreasing of initial total equity of CNY 107,823,161.53, including decreasing of undistributed profit of CNY 107,823,161.53. Details are as following:

Hubei Wujing Hi-speed Development Co., Ltd., the subsidiary of the Shandong Hi-Speed Group Co., Ltd, continuing deficit in previous years. The intangible assets '(toll road franchise rights) amortization differences between the traffic flow method and the taxable straight-line method are recognized as deferred tax liabilities. After transferring the subsidiary to the Shandong Hi-Speed Co., Ltd, the amortization which was not recognized in previous year is replenished in accordance with the requirement of the listed company this period, including increasing of deferred tax liabilities of CNY 107,823,161.53 in 2018, increasing of income tax expenses of CNY 38,853,292.47 in 2017, decreasing of undistributed profit opening balance of CNY 107,823,161.53 in 2018.

VI. Taxes

(I) The main taxes payable of the company and its subsidiaries are listed as below::

Items	Tax (fee) basis	Tax (fee) rate	Remarks
VAT	Taxable value added	17%, 13%, 6%, 3% , etc.	

Items	Tax (fee) basis	Tax (fee) rate	Remarks
Construction tax	Turnover tax payable	7%	
Education surcharge	Turnover tax payable	2%	
Local education surcharge	Turnover tax payable	1%	
Consumption tax	Turnover tax payable	Fixed levies based on amounts	
Enterprise income tax	Taxable income	25%, 20%, 15% , etc.	

(II) tax concessions and approvals

1. Value-added tax

In accordance with ‘Business Tax Reform VAT Cross-border Taxable Behavior VAT Exemption Management Measures (Trial)’ (No.29 of 2016) published by State Taxation Administration, cross-border taxable behavior of overseas construction project related service is exempt from VAT. In accordance with ‘Notice of the State Administration of Taxation on Launching the Pilot Program for Changing the Business Tax to VAT’(Finance and Tax [2016] No. 36) published by bureau of finance, export goods is exempt from VAT. The subsidiary, China Shandong Foreign Economic and Technical Cooperation Group Co., Ltd., is entitled the above VAT preferential policies for overseas engineering projects and export goods.

In accordance with article 15 of the ‘Provisional Regulations on Value Added Tax of the People's Republic of China’ (Revised in 2017), self-produced agricultural products sold by agricultural producers are exempt from VAT. The subsidiary, Shandong High-Speed Bioengineering Co., Ltd., their productions meet the criterion of the state-defined tax-free primary agricultural products, which is exempt from VAT.

In accordance with ‘Interim Provisions on Enterprise Support Preferential Policies in Yangpu Economic Development Area’, the manufacturing enterprises in the economic development area will gain the financial support from 6.50% of VAT paid and 40.00% of construction tax and education surcharge paid. The subsidiary, Shandong high - speed Hainan Development Co., Ltd., is eligible for above VAT preferential policies.

2. Enterprise income tax

According to the "Enterprise Income Tax Law of the People's Republic of China", Presidential Decree No. 63 of the People's Republic of China No. 63 (Part 2), to support high-tech enterprises, 15% corporate income tax reduction can be possessed. The subsidiary, Shandong high - speed information Engineering Co., Ltd., Shandong high – speed track equipment Co., Ltd., is eligible for above preferential policies.

According to “Notice on Further Expanding the Scope of Income Tax Preferential Policies for Small and Micro Enterprises” Finance and Taxation [2018] No. 77 issued by Ministry of Finance, the State Administration of Taxation, from January 1, 2018 to December 31, 2020, the

upper limit of the annual taxable income of small-profit enterprises will be raised from CNY500,000 to CNY1million. For small and micro enterprises whose annual taxable income is less than CNY1million (including CNY1million), the income reduction is 50% of the taxable income, and the enterprise income tax is paid at the rate of 20%. The subsidiary, Shandong High-speed Ecological Agriculture Development Co., Ltd., Lugo International Trading (Shanghai) Co., Ltd., Shandong high-speed Changhe Property Services Co., Ltd., etc. meet the standards of small and micro enterprises, and eligible the tax benefits.

According to the second paragraph of Article 27 of the "Enterprise Income Tax Law of the People's Republic of China"; "Additional Notice on the Preferential Policies for Enterprise Income Taxes on Public Infrastructure Projects" (Finance and Tax [2014] No. 55) issued by the Ministry of Finance and the State Administration of Taxation and other documents, from the first profit-making year, the corporate income tax is exempt from the first year to the third year, and the corporate income tax is half exempt from the fourth year to the sixth year. The subsidiary, Shandong high-speed Yingli New Energy Co., Ltd., belongs to the photovoltaic environmental protection industry which enjoys the "three years exemptions and three years half exemptions" tax concessions.

According to the "Interim Provisions on Enterprise Support Preferential Policies in Yangpu Economic Development Area", for the production enterprises in the investment development area, the enterprises which have pay enterprise income tax within the first 5 years will engage financial support according to 13% of the enterprise income tax payment, and the enterprises which have pay enterprise income tax for 6 to 10 years will engage financial support according to 6.5% of the enterprise income tax payment. The subsidiary, Shandong high - speed Hainan Development Co., Ltd., will eligible the above tax benefits.

VII. Business combinations and consolidated financial statements

(I) subsidiaries

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
1	Shandong High - Speed Taitung Highway Co., Ltd	2	1	Tai'an City	Tai'an City	Road operation and management	5,353.96	68.54%	68.54%	2,730.52	1
2	Shandong High - Speed Jili Intercity Highway Co., Ltd	2	1	Jinan City	Jinan City	Road operation and management	1,000.00	67.33%	67.33%	81,668.90	1
3	Shandong High - Speed Jitai Intercity Highway Co., Ltd	2	1	Jinan City	Jinan City	Road operation and management	1,000.00	100.00%	100.00%	19,755.56	1
4	Shandong High - Speed Logistics Group Co., Ltd	2	1	Qingdao City	Qingdao City	Commodity trade	300,000.00	100.00%	100.00%	263,000.00	1
5	Shandong High-Speed Logistics Property Co., Ltd.	3	1	Qingdao City	Qingdao City	Real estate development	4,000.00	100.00%	100.00%	4,000.00	1
6	Shandong High - Speed Standard Box Logistics Co., Ltd.	3	1	Jinan City	Jinan City	shipment service	20,000.00	100.00%	100.00%	20,000.00	1
7	Shandong High - Speed Logistics Supply Chain Co., Ltd.	3	1	Qingdao City	Qingdao City	Commodity circulation	20,000.00	100.00%	100.00%	20,000.00	1
8	Shandong High - Speed Traffic Logistics Investment Co., Ltd.	3	1	Weifang City	Weifang City	Other warehousing industry	119,485.58	93.98%	93.98%	70,206.05	1
9	Shandong High - Speed Weifang City Port International Trade Co., Ltd.	4	1	Weifang City	Weifang City	Logistics trade	18,000.00	100.00%	100.00%	3,750.00	1
10	Shandong High - Speed Weifang City Port International Logistics Co., Ltd.	4	1	Weifang City	Weifang City	Logistics trade	18,000.00	100.00%	100.00%	1,900.00	1
11	Shandong High - Speed Weifang City Port Construction Co., Ltd.	4	1	Weifang City	Weifang City	Port construction	6,000.00	100.00%	100.00%	100.00	1
12	Shandong High - Speed Qingdao City Logistics Development Co., Ltd.	3	1	Qingdao City	Qingdao City	Logistics park construction	16,000.00	68.75%	68.75%	11,000.00	1
13	Shandong High - Speed Qingdao West Coast Port Co., Ltd.	3	1	Qingdao City	Qingdao City	Logistics trade	80,000.00	60.00%	60.00%	9,600.00	1
14	Shandong High-Speed State Reserve Logistics Co., Ltd.	3	1	Jinan City	Jinan City	Logistics trade	520.00	51.00%	51.00%	265.20	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
15	Shandong High Speed Lunan Logistics Development Co., Ltd.	3	1	Linyi City	Linyi City	Logistics trade	15,000.00	100.00%	100.00%	15,000.00	1
16	Weihai City Commercial Bank	2	2	Weihai City	Weihai City	Currency banking services	417,119.73	58.55%	58.55%	322,617.71	1
17	Shandong Tongda Financial Leasing Co., Ltd.	3	2	Weihai City	Weihai City	Financial leasing services	100,000.00	65.00%	65.00%	65,000.00	1
18	Shandong High - Speed Penglai Development Co., Ltd.	2	1	Penglai City	Penglai City	Road operation and management	10,000.00	100.00%	100.00%	10,000.00	1
19	Shandong High - Speed Materials Group Corporation	2	1	Jinan City	Jinan City	Asphalt products	103,000.00	100.00%	100.00%	103,000.00	4
20	Zhangqiu Shijiulang Stone Co., Ltd.	3	1	Jinan City	Jinan City	Stone mining	600.00	70.00%	70.00%	581.43	3
21	Shandong High - Speed Hainan Development Co., Ltd.	3	1	Zhanchou City, Hainan Province	Zhanchou City, Hainan Province	Processing and wholesale of petroleum products	100,000.00	85.00%	85.00%	91,684.36	1
22	Shandong High - Speed Material Storage And Transportation Co., Ltd.	3	1	Zibo City	Zibo City	Processing and storage of petroleum products	6,000.00	100.00%	100.00%	1,645.23	1
23	Shandong Sainity Hotel	3	1	Jinan City	Jinan City	Catering Services	9,401.06	100.00%	100.00%	9,401.06	1
24	Shandong Luxi Asphalt Co., Ltd.	3	1	Heze City	Heze City	Processing and wholesale of petroleum products	500.00	100.00%	100.00%	500.00	1
25	Shandong High-Speed Saibang Energy Technology Co., Ltd.	3	1	Jinan City	Jinan City	Scientific research and technical services	2,000.00	51.00%	51.00%	1,020.00	1
26	Shandong High - Speed Construction Materials Co., Ltd.	3	1	Jinan City	Jinan City	Processing and wholesale of petroleum products	25,192.76	51.00%	51.00%	21,745.04	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
27	Shandong High - Speed Chongqing Development Co., Ltd.	4	1	Zhongqing	Zhongqing	Processing and wholesale of petroleum products	1,750.00	100.00%	100.00%	1,750.00	1
28	Qingdao City Huatian Hotel Co., Ltd.	2	1	Qingdao City	Qingdao City	Tourist hotel	1,500.00	100.00%	100.00%	32,176.09	4
29	Shandong Railway Investment Holding Group Co., Ltd.	2	1	Jinan City	Jinan City	Railway freight transport	4,845,700.00	32.99%	32.99%	1,460,000.00	1
30	Shandong Railway Comprehensive Development Co., Ltd.	3	1	Jinan City	Jinan City	Other real estate	150,000.00	100.00%	100.00%	10,000.00	1
31	Jiqing High - Speed Railway Co., Ltd.	3	1	Jinan City	Jinan City	Railway freight transport	3,000,000.00	48.53%	48.53%	935,000.00	1
32	Lunan High - Speed Railway Co., Ltd.	3	1	Jinan City	Jinan City	Railway freight transport	100,000.00	12.74%	12.74%	80,000.00	1
33	Shandong Huhe High-Speed Co., Ltd.	2	1	Heze City	Heze City	Road operation and management	37,300.00	100.00%	100.00%	37,300.00	3
34	Shandong High - Speed Basketball Club Co., Ltd.	2	1	Jinan City	Jinan City	Sports industry	2,000.00	100.00%	100.00%	1.00	3
35	Shandong High - Speed Nile Investment And Development Co., Ltd.	2	1	Jinan City	Jinan City	Investment development	10,000.00	100.00%	100.00%	10,000.00	1
36	Shandong Expressway Nile (Hong Kong) Co., Ltd.	3	3	Hong Kong	Hong Kong	Investment development	0.88	100.00%	100.00%	0.88	1
37	Shandong High-Speed Gaoguang Highway Co., Ltd.	2	1	Dongying City	Dongying City	Road operation and management	1,000.00	51.00%	51.00%	5,100.00	1
38	Shandong High - Speed Weir Highway Co., Ltd.	2	1	Weifang City	Weifang City	Road operation and management	4,023.51	51.00%	51.00%	0.00	1
39	Shandong High-Speed Yantai Investment Co., Ltd.	2	1	Yantai City	Yantai City	Dining accommodation	2,465.61	100.00%	100.00%	3,192.06	4
40	Shandong High-Speed Road&Bridge Group Co., Ltd.	2	1	Jinan City	Jinan City	construction	112,013.91	63.39%	63.39%	76,596.89	4
41	Sichuan Luqiao Lejia Avenue Construction Management Co., Ltd.	3	1	Leshan City	Leshan City	construction	5,300.00	100.00%	100.00%	5,300.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
42	Sichuan Luqiao Construction Of Shimiandu Co., Ltd.	3	1	Leshan City	Leshan City	construction	968.00	100.00%	100.00%	968.00	1
43	Sichuan Luqiao Jiamu Road Construction Management Co., Ltd	3	1	Leshan City	Leshan City	construction	2,480.00	90.00%	90.00%	2,232.00	1
44	Sichuan Luqiao Qianfayan Tunnel Construction Management Co., Ltd.	3	1	Leshan City	Leshan City	construction	2,922.00	90.00%	90.00%	1,314.00	1
45	Panzhihua Luqiao Bingdong Line Construction Management Co., Ltd.	3	1	Panzhihua City	Panzhihua City	construction	2,000.00	90.00%	90.00%	1,800.00	1
46	Shandong High-Speed Road&Bridge International Engineering Co., Ltd.	3	1	Jinan City	Jinan City	construction	6,150.00	66.67%	66.67%	3,300.00	1
47	Shandong High-Speed Road&Bridge Investment Management Co., Ltd.	3	1	Jinan City	Jinan City	investment	10,000.00	100.00%	100.00%	2,000.00	1
48	Shandong Province Road&Bridge Group Co., Ltd.	3	1	Jinan City	Jinan City	construction	150,000.00	100.00%	100.00%	103,823.96	1
49	Shandong Province High - Speed Road&Bridge Conservation Co., Ltd.	4	1	Jinan City	Jinan City	construction	50,000.00	100.00%	100.00%	10,000.00	1
50	Shandong Province Road&Bridge Construction Co., Ltd.	4	1	Jinan City	Jinan City	construction	80,000.00	100.00%	100.00%	30,000.00	1
51	Shandong Luqiao Building Materials Co., Ltd.	4	1	Jinan City	Jinan City	Concrete sales	2,000.00	90.00%	90.00%	1,800.00	1
52	Shandong Province Road&Bridge Groupengineering Design Consulting Co., Ltd.	4	1	Jinan City	Jinan City	Design consulting	600.00	100.00%	100.00%	600.00	1
53	Shandong Luqiao Construction Co., Ltd.	4	1	Jinan City	Zhangqiu City	construction	30,000.00	100.00%	100.00%	30,000.00	1
54	Fujian Lugao Guanyan Construction Co., Ltd.	4	1	Longyan City	Longyan City	construction	5,000.00	95.00%	95.00%	4,750.00	1
55	Shandong Luqiao Group Lugao Construction Project Management Co., Ltd.	4	1	Heze City	Heze City	Engineering construction	6,320.00	95.00%	95.00%	6,004.00	1
56	Sichuan Lugao Construction Project Management Co., Ltd.	4	1	Suining City	Suining City	Engineering construction	4,000.00	100.00%	100.00%	4,000.00	1
57	Sichuan Luqiao Green Road Maintenance Co., Ltd.	4	1	Leshan City	Leshan City	Building Construction	1,333.00	70.00%	70.00%	933.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
58	Shandong High-Speed Access Bridge Maintenance Co., Ltd.	4	1	Weifang City	Weifang City	Building Construction	6,150.00	60.00%	60.00%	3,690.00	1
59	Shandong Provinceroad&Bridge GroupJiaxing Hangzhou Bay Green Conservation Co., Ltd.	4	1	Jiaxing City	Jiaxing City	construction	12,000.00	100.00%	100.00%	4,800.00	1
60	Shandong High-Speed Hubei Maintenance Technology Co., Ltd.	4	1	Jiaxing City	Jiaxing City	Building materials wholesale	2,800.00	100.00%	100.00%	2,800.00	1
61	Fujian Lugao Traffic Project Management Co., Ltd.	4	1	Zhangzhou City, Fujian Province	Zhangzhou City	Municipal road construction	15,000.00	90.00%	90.00%	4,500.00	1
62	Shandong Lugao Road&Bridge City Construction Co., Ltd.	4	1	Weifang City	Weifang City	Other building installation	26,663.13	95.00%	95.00%	10,000.00	1
63	Fuzhou Lugao Engineering Construction Project Management Co., Ltd.	4	1	Fuzhou City, Jiangxi Province	Fuzhou City, Jiangxi Province	Municipal road construction	5,000.00	90.00%	90.00%	5,000.00	1
64	Shandong High-Speed Ningxia Industry Development Co., Ltd.	4	1	Yinchuan City	Yinchuan City	construction	10,000.00	51.00%	51.00%	4,000.00	1
65	Fujian Lugao Xinyuan Construction Co., Ltd.	4	1	Longyan City	Longyan City	construction	5,000.00	80.00%	80.00%	5,000.00	1
66	Taishan Property Insurance Co., Ltd	2	1	Jinan City	Jinan City	property insurance	203,000.00	39.41%	39.41%	88,200.00	1
67	Taisheng Insurance Sales Service Co., Ltd.	3	1	Jinan City	Jinan City	Insurance services	5,000.00	100.00%	100.00%	5,000.00	1
68	Shandong Taishan Folk Capital Management Co. Ltd.	3	1	Jinan City	Jinan City	Investment Advisory	10,000.00	60.00%	60.00%	6,000.00	1
69	Shandong Hi-Speed Company Limited	2	1	Jinan City	Jinan City	Road transport support activities	481,116.59	70.91%	70.91%	341,162.70	1
70	Shandong High – Speed Road Operation And Managementco., Ltd.	3	1	Jinan City	Jinan City	Highway management	100.00	100.00%	100.00%	100.00	1
71	Shandong High – Speed Henan Development Co., Ltd.	3	1	Zhengzhou City	Zhengzhou City	Investment development	31,382.37	100.00%	100.00%	31,382.37	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
72	Shandong High - Speed Group Henan Xu Yu Road Co., Ltd.	4	1	Xuchang City	Xuchang City	Highway management and maintenance	20,000.00	100.00%	100.00%	20,000.00	1
73	Jiyuan Jijin Freeway Co., Ltd.	4	1	Jiyuan City	Jiyuan City	Highway management and maintenance	15,000.00	90.00%	90.00%	13,500.00	3
74	Hubei Wujiang Freeway Development Co., Ltd.	3	1	Wuhan City	Wuhan City	Highway operation	80,800.00	100.00%	100.00%	80,800.00	3
75	Shandong High - Speed Investment And Development Co., Ltd.	3	1	Jinan City	Jinan City	Investment development	400,000.00	100.00%	100.00%	400,000.00	1
76	Yantai He Sheng Real Estate Development Co., Ltd.	4	1	Yantai City	Yantai City	real estate	10,000.00	100.00%	100.00%	9,997.22	3
77	Shandong High - Speed Ecotechnology Co., Ltd.	4	1	Weifang City	Weifang City	Environmental Protection	2,000.00	100.00%	100.00%	2,000.00	1
78	Shandong High - Speed(Shenzhen) Investment Co., Ltd.	4	2	Shenzhen	Shenzhen	Wholesale of petroleum products	51,000.00	100.00%	100.00%	51,000.00	1
79	Shandong High - Speed Jinan City Investment Construction Co., Ltd.	4	1	Jinan City	Jinan City	Investment development	100,000.00	60.00%	60.00%	60,000.00	1
80	Shandong High - Speed Xicheng Real Estate Co., Ltd.	5	1	Jinan City	Jinan City	Investment development	5,000.00	60.00%	60.00%	3,000.00	1
81	Shandong High - Speed Zhangqiu Land Development Co., Ltd.	4	1	Zhangqiu City	Zhangqiu City	Investment development	10,000.00	60.00%	60.00%	6,000.00	1
82	Shandong High - Speed Industrial Development Co., Ltd.	3	1	Jinan City	Jinan City	Property management	1,900.00	100.00%	100.00%	1,900.00	1
83	Shandong High - Speed Weilai Highway Co., Ltd.	3	1	Jinan City	Jinan City	Highway management	10,000.00	100.00%	100.00%	10,000.00	1
84	Shandong Lijin Yellow River Highway Bridge Co., Ltd.	4	1	Lijin County, Dongying City	Lijin County, Dongying City	Bridge operation	7,000.00	65.00%	65.00%	4,550.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
85	Hunan Hengshao High – Speed Co., Ltd.	3	1	Changsha City	Changsha City	Highway management and maintenance	25,000.00	70.00%	70.00%	17,500.00	3
86	Shandong High – Speed Hunan Development Co., Ltd.	3	1	Changsha City	Changsha City	Investment development	20,000.00	100.00%	100.00%	10,000.00	1
87	Shandong High – Speed Qilu Construction Traffic Management Service Co., Ltd.	3	1	Jinan City	Jinan City	Commodity circulation	1,700.00	100.00%	100.00%	1,700.00	1
88	Jinan Changyong Jincheng Equity Investment Partnership (Limited Partnership)	3	2	Jinan City	Jinan City	Investment	501,001.00	100.00%	100.00%	501,001.00	1
89	Jinan Changyong Jinan Investment Partnership (Limited Partnership)	3	2	Jinan City	Jinan City	Investment	150,000.00	100.00%	100.00%	150,000.00	1
90	Jinan Changyong Jinhai Investment Partnership (Limited Partnership)	3	2	Jinan City	Jinan City	Investment	240.00	100.00%	100.00%	240.00	1
91	Shandong High – Speed Longqing Highway Co., Ltd	2	1	Zhaoyuan City	Zhaoyuan City	Highway management	1,000.00	73.01%	73.01%	510.00	1
92	Shandong High Speed Rail Transit Group Co., Ltd.	2	1	Jinan City	Jinan City	Transportation industry	126,176.00	100.00%	100.00%	126,176.00	4
93	Shandong High- Speed Construction Equipment Co., Ltd.	3	1	Linyi County, Weifang City	Linyi County, Weifang City	Manufacture of cement products	11,111.00	35.00%	35.00%	3,888.90	1
94	Shandong Dalai Long Railway Co., Ltd.	3	1	Jinan City	Zhaoyuan City	Transport business	66,395.28	80.41%	80.41%	53,385.28	1
95	Shandong Province Lutie Economic And Trade Co., Ltd.	3	1	Jinan City	Shouguang City	Commodity circulation	100.00	100.00%	100.00%	100.00	1
96	Shandong Ruitong Logistics Co., Ltd	3	1	Jinan City	Jinan City	Service industry	2,000.00	100.00%	100.00%	2,000.00	1
97	Shandong High Speed Rail Transit Group Co., Ltd Jinan City Engineering Branch	3	1	Jinan City	Jinan City	Construction industry	30.00	100.00%	100.00%	30.00	1

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98	Shandong Ruiyuan Logistics Co., Ltd.	3	1	Rizhao City	Rizhao City	Service industry	2,000.00	65.00%	65.00%	1,300.00	1
99	Shandong Shouping Railway Co., Ltd.	3	1	Shouguang City	Shouguang City	Transport business	83,646.70	59.78%	59.78%	50,000.00	1
100	Shandong Zhonglan Railway Operation Co., Ltd.	3	1	Rizhao City	Rizhao City	Rail transport	120,000.00	51.00%	51.00%	5,100.00	1
101	Shandong High Speed New Material Technology Co., Ltd.	3	1	Jinan City	Jinan City	Cold rolled steel production and sales	10,000.00	51.00%	51.00%	5,100.00	1
102	Shandong High Speed Group Henan Xu Bo Highway Co., Ltd.	2	1	Zhoukou City	Zhoukou City	Highway management and maintenance	20,000.00	100.00%	100.00%	145,541.15	3
103	Shandong High - Speed Cultural Media Co., Ltd	2	1	Jinan City	Jinan City	Other arts and culture	50,000.00	100.00%	100.00%	50,000.00	1
104	Shandong Ocean Group Co., Ltd	2	1	Jinan City	Jinan City	Investment and asset management	320,000.00	31.25%	31.25%	100,000.00	1
105	Shandong Shipping Limited By Share Ltd	3	1	Qingdao City	Qingdao City	Transportation industry	300,000.00	83.30%	83.30%	250,000.00	1
106	Shandong Maritime International Trade Co., Ltd.	4	1	Qingdao City	Qingdao City	trading	6,000.00	100.00%	100.00%	6,000.00	1
107	Inner Mongolia Taiyue Logistics Co., Ltd.	4	1	Hohhot	Hohhot	Transportation industry	2,000.00	51.00%	51.00%	624.00	1
108	Shanghai Bijie Ship Management Co., Ltd.	4	1	Shanghai	Shanghai	trading	632.83	100.00%	100.00%	705.70	1
109	Shandong Shipping Development Co., Ltd.	4	1	Qingdao City	Qingdao City	Transportation industry	7,200.00	100.00%	100.00%	7,200.00	3
110	Shandong Shipping Ship Management Co., Ltd.	5	1	Qingdao City	Qingdao City	Service industry	500.00	91.00%	91.00%	455.00	3
111	Panstar Shipping Pte Ltd.	5	3	Singapore	Singapore	Transportation industry	47.03	100.00%	100.00%	47.03	1
112	Shandong Maritime Scafarers Labor Co., Ltd.	5	1	Qingdao City	Qingdao City	Service industry	600.00	93.34%	93.34%	430.96	3

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113	Shandong Marine Tanker Transport Co., Ltd.	4	3	Hong Kong	Hong Kong	Transportation industry	5,268.16	100.00%	100.00%	5,268.16	1
114	Shandong Maritime Singapore Merger	4	3	Singapore	Singapore	Transportation industry	798.00	100.00%	100.00%	798.00	1
115	Shandong Shipping Hong Kong Merger	4	3	Hong Kong	Hong Kong	Transportation industry	800.00	100.00%	100.00%	800.00	1
116	Shandong Ocean Investment Co., Ltd.	4	1	Jinan City	Jinan City	Business investment	1,000.00	100.00%	100.00%	1,000.00	1
117	Shandong Shipping Aitong Logistics Co., Ltd.	5	1	Qingdao City	Qingdao City	Transportation, warehousing and postal services	5,800.00	70.00%	70.00%	2,870.00	3
118	Shandong Water Transport Development Co., Ltd.	3	1	Jinan City	Jinan City	River transport	15,000.00	98.00%	98.00%	4,900.00	1
119	Shandong Zhushui River Transport Development Co., Ltd.	4	1	Jining City	Jining City	Transportation industry	5,600.00	73.00%	73.00%	4,088.00	1
120	Shandong Yizhou Portco., Ltd.	4	1	Zaozhuang City	Zaozhuang City	Transportation industry	8,500.00	51.00%	51.00%	1,530.00	1
121	Tengzhou Xinao Energy Logistics Port Co., Ltd.	4	1	Tengzhou City	Tengzhou City	Transportation industry	5,500.00	55.00%	55.00%	3,025.00	1
122	Dongpinghu Haitong Port Co., Ltd.	4	1	Tai'an City	Tai'an City	Inland cargo transportation	8,000.00	40.00%	50.00%	1,800.00	1
123	Haisheng International Finance Leasing Co., Ltd.	3	1	Qingdao City	Qingdao City	Jinan City	18,000.00	95.60%	95.60%	17,200.00	1
124	Shandong Ocean Engineering Equipment Co., Ltd.	4	3	United States Virgin Islands	United States Virgin Islands	Engineering equipment		100.00%	100.00%	0.00	1
125	Sdoe International Finance I Company Limited	4	1	Qingdao City	Qingdao City	Special purpose	100,000.00	40.00%	40.00%	40,000.00	1
126	Shandong Huasheng Financial Leasing Co., Ltd.	5	3	Hong Kong	Hong Kong	Other machinery and equipment operating lease		100.00%	100.00%	9.94	1

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127	Huasheng Commercial Factoring (Tianjin) Co., Ltd.	5	1	Tianjin	Tianjin	Financial industry	5,000.00	100.00%	100.00%	5,000.00	1
128	Huasheng Financial Leasing (Tianjin) Co., Ltd.	5	1	Tianjin	Tianjin	Leasing business and services	100,000.00	100.00%	100.00%	37,000.00	1
129	Huasheng International (Hong Kong) Limited Financial Leasing Co., Ltd.	3	2	Jinan City	Jinan City	Financial leasing	16,000.00	63.75%	63.75%	10,200.00	1
130	Jinanzhong District Hairong Microcredit Co., Ltd.	4	1	Jinan City	Jinan City	trading	100.00	100.00%	100.00%	100.00	1
131	Jina Huishuo Trading Co., Ltd.	3	1	Jinan City	Jinan City	trading	150,000.00	100.00%	100.00%	41,781.35	1
132	Shandong Ocean Financial Holdingsco., Ltd.	4	3	Hong Kong	Hong Kong	trading	7,497.38	40.00%	40.00%	2,998.95	1
133	Shandongocean International (Hong Kong) Co., Ltd.	5	1	Qingdao City	Qingdao City	trading	2000000 dollar	100.00%	100.00%	1,223.17	1
134	Shandong Ocean Cleaning Energy Co., Ltd.	5	1	Jinan City	Jinan City	Other trade brokers and agents	5000000 dollar	100.00%	100.00%		1
135	Shandong Blue Economy Venture Capital Co., Ltd.	4	1	Jinan City	Jinan City	investment	17,200.00	100.00%	100.00%	17,200.00	1
136	Shandong Henglan Venture Capital Co., Ltd.	4	1	Shenzhen	Shenzhen	Other machinery and equipment operating lease	21,500.00	46.98%	46.98%	10,100.00	1
137	Shandong Ocean Energy Co., Ltd.	3	1	Qingdao City	Qingdao City	Energy investment development management	50,000.00	100.00%	100.00%	12,000.00	1
138	Shandong High - Speed Service Area Management Co., Ltd.	2	1	Jinan City	Jinan City	Service industry	69,000.00	100.00%	100.00%	68,999.99	4
139	Shandong High - Speed Petrochemical Co., Ltd.	3	1	Jinan City	Jinan City	business	9,000.00	57.81%	57.81%	9,000.00	1
140	Shandong High - Speed International Tourism Co., Ltd.	3	1	Jinan City	Jinan City	Travel services	200.00	100.00%	100.00%	120.00	1

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141	Shandong High – Speed Qingdao City Property Management Co., Ltd.	3	1	Qingdao City	Qingdao City	Property management	100.00	100.00%	100.00%	100.00	1
142	Shandong High-Speed Bioengineering Co., Ltd	3	1	Jinan City	Jinan City	Processing of agricultural products	500.00	100.00%	100.00%	500.00	1
143	Shandong High-Speed Yingli New Energy Co., Ltd	3	1	Jinan City	Jinan City	Manufacturing	10,000.00	78.78%	78.78%	6,500.00	1
144	Texas Chemical Chemical Technology Co., Ltd	3	1	Dezhou City	Dezhou City	Wholesale of petroleum products	3,500.00	51.00%	51.00%	1,785.00	3
145	Shandong High - Speed Qingdao Development Co., Ltd	2	1	Qingdao City	Qingdao City	Highway management and maintenance	306,862.00	100.00%	100.00%	334,604.95	1
146	Shandong High – Speed Qingdao City Road Co., Ltd.	3	1	Qingdao City	Qingdao City	High - speed operation and management	100,000.00	100.00%	100.00%	333,604.95	1
147	Shandong High – Speed Qingdao Jiaye Asset Management Co., Ltd	3	1	Qingdao City	Qingdao City	High - speed operation and management	18,600.00	100.00%	100.00%	36,660.00	1
148	Shandong High-Speed Qingdao Construction Management Co., Ltd.	3	1	Qingdao City	Qingdao City	Engineering management services	2,000.00	100.00%	100.00%		1
149	Shandong High – Speed Qingdao City Qingdao Jiaozhou Bay Bridge Investment Development Co., Ltd.	4	1	Qingdao City	Qingdao City	High - speed operation and management	5,000.00	100.00%	100.00%	5,000.00	1
150	Qingdao City Zhongchangtai Real Estate Co., Ltd.	4	1	Qingdao City	Qingdao City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
151	Qingdao Zhongjun Thai Real Estate Co., Ltd	4	1	Qingdao City	Qingdao City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
152	Shandong High Speed Private Capital Management Co., Ltd.	3	1	Qingdao City	Qingdao City	investment	30,000.00	100.00%	100.00%	30,000.00	1

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153	Shandong High - Speed Sichuan Industrial Development Co., Ltd	2	1	Chengdu City	Chengdu City	Highway management and maintenance	300,000.00	100.00%	100.00%	431,445.20	1
154	Shandong High - Speed Sichuan Investment Developmentco., Ltd.	3	1	Chengdu City	Chengdu City	Highway management and maintenance	1,000.00	100.00%	100.00%	8,200.00	1
155	Baoxing Guosheng Mining Co., Ltd	3	1	Ya'an City	Ya'an City	Building materials sales	4,700.00	100.00%	100.00%	7,200.00	3
156	Shandong High - Speed Group Sichuan Leyi Road Co., Ltd.	3	1	Chengdu City	Chengdu City	Highway operation	21,000.00	100.00%	100.00%	242,925.00	1
157	Shandong High - Speed Group Sichuanlezi Road Co., Ltd.	3	1	Zigong City	Zigong City	Highway operation	32,600.00	100.00%	100.00%	192,020.20	1
158	Leshantaji Investment Developmentco., Ltd.	3	1	Leshan City	Leshan City	Real estate development	1,000.00	100.00%	100.00%	29,620.00	1
159	Shandong High Speed (BVI) Capital Management Co., Ltd.	2	3	Hong Kong	Hong Kong	Capital management	0.01	100.00%	100.00%	0.00	1
160	Shandong High - Speed Technology Development Group Co., Ltd	2	1	Jinan City	Jinan City	Engineering survey and design	15,000.00	100.00%	100.00%	15,000.00	1
161	Shandong High - Speed Engineering Consulting Co., Ltd.	3	1	Jinan City	Jinan City	Engineering management services	2,000.00	100.00%	100.00%	2,000.00	1
162	Shandong High - Speed Engineering Inspection Co., Ltd.	3	1	Jinan City	Jinan City	Quality inspection technical services	2,000.00	100.00%	100.00%	2,000.00	1
163	Shandong High - Speed The Road New Material Technology Co., Ltd.	3	1	Jinan City	Jinan City	New materials technical services	500.00	51.00%	51.00%	255.00	1
164	Shandong High Speed Building Design Co., Ltd.	3	1	Jinan City	Jinan City	engineering design	367.00	51.00%	51.00%	187.17	3
165	Shandong Lujian Urban Planning And Design Institute	3	1	Jinan City	Jinan City	Planning and Design	53.00	100.00%	100.00%	53.00	4

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166	Shandong Survey And Design Service Co., Ltd.	3	1	Jinan City	Jinan City	professional design	20.00	100.00%	100.00%	20.00	4
167	Shandong Sanyi Engineering Construction Supervision Co., Ltd.	3	1	Jinan City	Jinan City	Engineering management services	300.00	100.00%	100.00%	300.00	4
168	Shandong High - Speed Information Engineering Co., Ltd	2	1	Jinan City	Jinan City	Information technology services	20,000.00	95.00%	95.00%	19,000.00	1
169	Shandong High - Speed Xinwei Information Technology Co., Ltd	3	1	Jinan City	Jinan City	Information technology services	1,000.00	51.00%	51.00%	510.00	1
170	Shandong High - Speed Xinbo Information Technology Co., Ltd	3	1	Jinan City	Jinan City	Information technology services	300.00	41.00%	41.00%	41.00	1
171	Shandong Shuangli Electronic Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Information technology services	5,088.00	51.00%	51.00%	6,120.00	3
172	Shandong High-Speed Qilu Construction Group Co., Ltd.	2	1	Jinan City	Jinan City	Construction and installation	51,338.30	100.00%	100.00%	51,338.30	4
173	Shandong Qilu Construction Group Decoration Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Public building decoration and decoration	120.00	100.00%	100.00%	120.00	1
174	Shandong Qilu Construction Group Equipment Installation Co., Ltd.	3	1	Jinan City	Jinan City	Pipe and equipment installation	120.00	100.00%	100.00%	120.00	1
175	Shandong Qilu Construction Group Construction Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Public building decoration and decoration	120.00	100.00%	100.00%	120.00	1
176	Shandong Qilu Construction Group Assembly Construction Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Public building decoration and decoration	1,000.00	60.00%	60.00%	600.00	1
177	Shandong High - Speed Letter Of The Payment Co., Ltd	2	1	Jinan City	Jinan City	Information technology services	36,000.00	100.00%	100.00%	36,000.00	1

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178	Shandong High Speed Investment Holdings Co., Ltd	2	1	Jinan City	Jinan City	Investment and asset management	109,791.03	100.00%	100.00%	406,426.15	1
179	Shandong High - Speed (Shanghai) Investment Holding Co., Ltd	3	1	Shanghai	Shanghai	Other services	100,000.00	100.00%	100.00%	5,175.80	1
180	Shandong High - Speed (Shanghai) Asset Management Co., Ltd.	3	1	Shanghai	Shanghai	Investment and asset management	3,900.00	62.50%	62.50%	5,175.80	1
181	Sino Asset Financial Leasing Limited	3	3	Cayman Islands	Cayman Islands	Special purpose	3,106.86	100.00%	100.00%	3,106.86	3
182	Sino Asset Financial Holdings Limited	4	3	The British Virgin Islands	The British Virgin Islands	Special purpose	6,322.68	100.00%	100.00%	6,322.68	3
183	Sino Asset Financial Leasing (Hk) Limited	5	3	Hong Kong	Hong Kong	Special purpose	0.81	100.00%	100.00%	0.81	3
184	Zhongqiao Finance Leasing Co., Ltd.	6	1	Tianjin	Tianjin	Special purpose	100,000.00	100.00%	100.00%	11,181.34	3
185	Shandong Province Rural Economic Development Investment Co., Ltd	2	1	Jinan City	Jinan City	Agricultural services	134,544.92	100.00%	100.00%	132,017.38	4
186	Laizhou Beilai Highway Investment Co., Ltd.	3	1	Yantai City	Yantai City	Highway operation	25,000.00	100.00%	100.00%	32,508.33	2
187	Shandong Road&Bridge Driver Training Co., Ltd.	3	1	Jinan City	Jinan City	Service industry	300.00	100.00%	100.00%	300.00	2
188	Shandong International (Hong Kong) Co., Ltd	3	3	Hong Kong	Hong Kong	Service industry	150,000.79	100.00%	100.00%	83,093.16	1
189	Shandong High - Speed (BVI) International Holdings Co., Ltd.	4	3	The British Virgin Islands	The British Virgin Islands	Service industry	50000 dollar	60.00%	60.00%	0.00	1
190	Shandong High - Speed Global Finance Leasing Co., Ltd.	5	1	Jinan City	Jinan City	Other machinery and equipment leasing	280000000 dollar	100.00%	100.00%	182,724.00	1
191	Shandong High - Speed Property Management Co., Ltd.	3	1	Jinan City	Jinan City	Property	200.00	100.00%	100.00%	200.00	1

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192	Shandong Forestry Science And Technology Development Corporation	3	1	Jinan City	Jinan City	forestry	50.00	100.00%	100.00%	0.00	3
193	Shandong Sendi Landscaping Engineering Co., Ltd.	3	1	Jinan City	Jinan City	building	100.00	100.00%	100.00%	0.00	3
194	Shandong Yingtai Company	3	1	Jinan City	Jinan City	Service industry	1,550.00	100.00%	100.00%	0.00	3
195	Shandong Jihua Trading Company	3	1	Jinan City	Jinan City	wholesale	200.00	100.00%	100.00%	0.00	3
196	Shandong Provincial Foreign Construction Engineering Corporation	3	1	Jinan City	Jinan City	building	1,000.00	100.00%	100.00%	0.00	3
197	Jinan Shangaodeguang Investment Co., Ltd.	3	1	Jinan City	Jinan City	Non-financial guarantee services	100.00	50.00%	50.00%	0.00	1
198	Guangde Shangao Jinsui Investment Management Partnership (Limited Partnership)	4	1	Xuancheng City	Jinan City	Non-financial guarantee services	1,000,001.00	20.00%	20.00%	125,000.00	1
199	Shandong Honglin Engineering Technology Co., Ltd.	3	1	Jinan City	Jinan City	Forest nursery	1,050.00	100.00%	100.00%	1,050.00	4
200	Shandong Seafarer Training Center	3	1	Jinan City	Jinan City	Vocational skills training	60.00	100.00%	100.00%	60.00	4
201	China Shandong International Economic & Technical Cooperation Corp Co., Ltd.	2	1	Jinan City	Jinan City	Leasing and business services	150,070.00	100.00%	100.00%	150,070.00	4
202	Shandong International (Sudan) Co., Ltd.	3	3	Sudan	Sudan	Building Construction	82.77	100.00%	100.00%	82.77	1
203	Jinan Hengyi Investment Co., Ltd.	3	1	Jinan City	Jinan City	investment	1,000.00	100.00%	100.00%	1,000.00	1
204	Canadian Csd Energy Co., Ltd.	3	3	Canada	Canada	Oil extraction		100.00%	100.00%	0.00	1
205	China Shandongforeign Economic And Technical Cooperation Group Co., Ltd.	3	1	Jinan City	Asia/Africa	Foreign economic cooperation business	135,000.00	100.00%	100.00%	135,000.00	1
206	Shandong Foreign Economic (Hong Kong) Co., Ltd.	4	3	Hong Kong	Hong Kong	Trade services	8.08	100.00%	100.00%	8.08	1

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207	Haocai Co., Ltd.	4	3	Serbia	Serbia	construction	0.08	100.00%	100.00%	0.08	1
208	Rudy Trading Co., Ltd.	4	3	Dubai	Dubai	Trade services	180.96	100.00%	100.00%	180.96	1
209	Shandong High - Speed Ghana Company	4	3	Ghana	Ghana	construction	61.55	100.00%	100.00%	61.55	1
210	Lugo International Trading (Shanghai) Co., Ltd.	4	2	Shanghai	Shanghai	Trade services	100.00	100.00%	100.00%	0.00	1
211	New Era Agricultural Development Co., Ltd.	3	3	Sudan	Sudan	Agricultural development	63.31	51.00%	51.00%	32.29	1
212	Shandong High - Speed Uganda Company	4	3	Uganda	Uganda	Warehouse Logistics	6,006.00	51.00%	51.00%	3,185.21	1
213	Shandong High - Speed Real Estate Group Co., Ltd.	2	1	Jinan City	Jinan City	real estate	500,000.00	100.00%	100.00%	500,000.00	1
214	Shandong High - Speed Green City Real Estate Investment Co., Ltd.	3	1	Dongying City	Dongying City	real estate	20,000.00	51.00%	51.00%	10,200.00	1
215	Shandong High - Speed City Construction Investment Co., Ltd.	3	1	Qingdao City	Qingdao City	real estate	10,000.00	60.00%	60.00%	6,000.00	1
216	Shandong High Speed Real Estate Development Co., Ltd.	3	1	Jinan City	Jinan City	real estate	20,000.00	100.00%	100.00%	20,000.00	1
217	Jinan Shengbang Real Estate Development Co., Ltd.	4	1	Jinan City	Jinan City	real estate	2,000.00	100.00%	100.00%	2,000.00	2
218	Shandong High-Speed Changhe Property Services Co., Ltd.	3	1	Jinan City	Jinan City	Property management	300.00	100.00%	100.00%	300.00	1
219	Jinan Huibo Real Estate Co., Ltd.	3	1	Jinan City	Jinan City	real estate	2,000.00	100.00%	100.00%	2,000.00	2
220	Shandong High-Speed Binzhou Real Estate Co., Ltd.	3	1	Binzhou City	Binzhou City	real estate	1,000.00	100.00%	100.00%	1,000.00	2
221	Shandong High - Speed Haiyang Real Estate Co., Ltd.	3	1	Yantai City	Yantai City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
222	Shandong High-Speed Sports Culture Development Co., Ltd.	3	1	Jinan City	Jinan City	Sports culture	1,000.00	100.00%	100.00%	500.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
223	Shangao Peking University New Century Hainan Kangyang Culture Tourism Co., Ltd.	3	1	Baoting County, Hainan Province	Baoting County, Hainan Province	Cultural Tourism	2,000.00	85.00%	85.00%	650.00	1
224	Shandong High-Speed Taishan Development Co., Ltd.	2	1	Tai'an City	Tai'an City	real estate	200,000.00	100.00%	100.00%	62,700.00	1
225	Shandong High-Speed Taishan Ecological Agriculture Development Co., Ltd.	3	1	Jinan City	Jinan City	Scientific research and technical services	500.00	100.00%	100.00%	500.00	1
226	Shandong High-Speed Taihe Real Estate Co., Ltd.	3	1	Tai'an City	Tai'an City	real estate	1,800.00	66.00%	66.00%	1,188.00	1
227	Shandong High-Speed (Singapore) Co., Ltd.	2	3	Singapore	Singapore	Investment development	1,230.12	100.00%	100.00%	1,230.12	1
228	Shandong High-Speed Yunnan Development Co., Ltd.	2	1	Kunming City	Kunming City	Highway management and maintenance	177,851.26	100.00%	100.00%	177,851.26	1
229	Yunnan Suomeng High-Speed Co., Ltd.	3	1	Kunming City	Kunming City	Highway management and maintenance	20,000.00	90.00%	90.00%	62,899.18	3
230	Kunming New Airport Expressway Construction And Development Co., Ltd.	3	1	Kunming City	Kunming City	Highway management and maintenance	61,140.00	70.00%	70.00%	129,008.25	3
231	Shandong High-Speed Honghe Transportation Investment Co., Ltd.	3	1	Mengzi City	Mengzi City	Highway operation	10,000.00	90.00%	90.00%	47,072.26	1
232	Yunnan Shangao Investment Development Co., Ltd.	3	2	Kunming City	Kunming City	Investment and Financing	50,000.00	100.00%	100.00%	50,000.00	1
233	Sai Yue Asset Management (Shanghai) Co., Ltd.	3	2	Shanghai	Shanghai	Investment and Financing	500.00	90.00%	90.00%	450.00	3
234	Shandong High-Speed Mengzi Real Estate Co., Ltd.	3	1	Mengzi City	Mengzi City	real estate	1,800.00	90.00%	90.00%	0.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
235	Shandong High-Speed Development Co., Ltd.	2	1	Wuhan City	Wuhan City	Road, bridge, tunnel construction	20,000.00	100.00%	100.00%	20,000.00	1
236	Wuhan Jincheng Xingfa Real Estate Co., Ltd.	3	1	Wuhan City	Wuhan City	Real estate leasing operations	10,800.00	100.00%	100.00%	30,565.68	3
237	Jining Hongxiang Highway Survey And Design Institute Co., Ltd.	3	1	Jining City	Jining City	Road construction	2,000.00	51.00%	51.00%	6,156.78	3
238	Shandong High-Speed Linzao To Zaomu Road Co., Ltd.	2	1	Zaozhuang City	Zaozhuang City	Highway management and maintenance	1,000.00	55.00%	55.00%	237.60	1
239	Shandong High-Speed Service Area Improvement Construction Engineering Co., Ltd.	2	1	Jinan City	Jinan City	business services	1,960.78	51.00%	51.00%	0.00	1
240	Shandong High-Speed Development Co., Ltd.	2	1	Jinan City	Jinan City	business services	1,000.00	58.59%	58.59%	1,504.84	1
241	Shandong Bohai Bay Port Group Co., Ltd.	2	1	Jinan City	Jinan City	Transport	1,350,000.00	51.21%	51.21%	200,000.00	1
242	Shandong High-Speed Honghai Investment Development Co., Ltd.	2	3	Mauritius	Mauritius	Building materials wholesale		100.00%	100.00%	0.00	1

[Note: Type of enterprise: 1, domestic non-financial subsidiary companies; 2, domestic financial subsidiary enterprises; 3, overseas subsidiary enterprises; 4, public institutions; 5, infrastructure construction units;

Way to obtain: 1 invested; 2 merger of enterprises under one group; 3 merger of enterprises under different groups; 4 others.]

(II) The reason why the parent company has less than half of right to vote in the investee but can control the investee

No.	Company name	Shareholding ratio	Paid-up capital (RMB'0000)	Amount of investment (RMB'0000)	Class	Reason for inclusion in the scope of consolidation
1	Taishan Property Insurance Co., Ltd	39.41%	203,000.00	88,200.00	2	Majority shareholder, substantial control
2	Shandong Ocean Investment Co., Ltd	31.25%	320,000.00	100,000.00	2	Majority shareholder, substantial control
3	Shandong Railway Construction Investment Co., Ltd	32.99%	4,845,700.00	1,460,000.00	2	Majority shareholder, substantial control

(III) The reason why the parent company has more than half of right to vote in the investee directly or through other subsidiaries but can't control the investee

No.	Company name	Shareholding ratio (%)	Voting right (%)	Paid-up capital (RMB'0000)	Amount of investment (RMB'0000)	Class	Reason for no inclusion in the scope of consolidation
1	China Airport Holdings Co., Ltd	51.00	51.00	HKD 10,000,000	0	3	Not controlled substantially
2	China Airport Industry Investment Co., Ltd	100.00	100.00	HKD 100	HKD 100	4	Not controlled substantially
3	Qiaohua Company Limited	100.00	100.00	HKD 100	HKD 100	5	Not controlled substantially
4	China Airport Holdings (Europe) Company Limited	100.00	100.00	Euro 10,000	Euro 10000	6	Not controlled substantially

(IV) Partly-Owned Subsidiaries

1. Minority shareholders

No.	Items	Percentage of minority shareholders	Profit and loss attributable to minority shareholders for the current period	The dividend declared to minority shareholders in the current period	The minority shareholders equity balance at the end of period
1	Weihai City Commercial Bank	41.46%	449,052,111.64	179,989,933.31	6,055,554,897.39
2	Shandong Hi-speed Company Limited	29.09%	1,538,898,917.01	301,367,923.31	9,172,211,705.32
3	Shandong Province Road & Bridge Group Co., Ltd.	36.61%	256,431,409.94	34,718,323.33	2,657,093,183.21

2. The main financial information

Items	Closing balance / Year 2018		
	Weihai City Commercial Bank	Shandong Hi-speed Company Limited	Shandong Province Road & Bridge Group Co., Ltd.
Current assets	35,202,021,394.97	7,440,599,800.35	17,588,247,751.23
Non-current assets	168,130,113,298.57	61,155,536,621.74	6,303,269,922.04
Total assets	203,332,134,693.54	68,596,136,422.09	23,891,517,673.27
Current liabilities	146,059,246,137.03	11,156,868,598.72	14,845,013,625.14
Non-current liabilities	43,232,091,251.47	28,123,849,698.04	2,686,421,633.87
Total liabilities	189,291,337,388.50	39,280,718,296.76	17,531,435,259.01
Operating income	9,282,301,280.65	6,828,798,848.13	14,768,382,698.99
Net profit	1,008,534,760.14	3,626,411,820.11	677,099,620.64
Total comprehensive income	1,146,809,862.07	3,638,344,633.56	678,820,490.74
Net amount of cash flows from operating activities	-7,077,262,472.55	3,890,560,274.02	830,102,983.59

Continued:

Items	Opening balance /Year 2017		
	Weihai City Commercial Bank	Shandong Hi-speed Company Limited	Shandong Province Road & Bridge Group Co., Ltd.
Current assets	63,396,195,702.87	10,846,925,101.55	14,503,906,436.65
Non-current assets	141,101,725,298.93	39,992,291,448.34	3,122,863,909.43
Total assets	204,497,921,001.80	50,839,216,549.89	17,626,770,346.08
Current liabilities	159,539,628,007.22	6,267,898,041.40	10,865,757,655.01
Non-current liabilities	33,887,185,817.21	17,501,740,659.03	2,695,785,968.55
Total liabilities	193,426,813,824.43	23,769,638,700.43	13,561,543,623.56
Operating income	8,724,184,744.47	8,127,358,683.77	12,384,729,807.97
Net profit	1,602,751,630.57	2,974,872,951.47	577,868,379.93
Total comprehensive income	1,542,902,198.09	2,962,756,740.61	571,597,361.03
Net amount of cash flows from operating activities	-1,525,326,201.09	4,108,235,374.07	232,437,214.69

(V) Entities newly included in the scope of consolidation in current period

No.	Items	Reason for inclusion	Class	Net asset at the end of period	Net profit for the current period
1	Shandong high- speed Taishan Ecological Agriculture Development Co., Ltd.	Establishment	3	5,009,929.49	9,929.49
2	Shandong high- speed Taihe Real Estate Co., Ltd.	Establishment	3	18,000,000.00	0.00
3	Shandong high- speed Sports Culture Development Co., Ltd.	Establishment	3	4,609,217.85	-390,782.15
4	Shangao Peking University New Century Hainan Kangyang Culture Tourism Co., Ltd.	Establishment	3	6,066,210.75	-433,789.25
5	Shandong high - speed Uganda Company	Establishment	4	64,469,857.10	2,893,185.75
6	Shandong high- speed Saibang Energy Technology Co., Ltd.	Establishment	3	19,249,147.79	-750,852.21
7	Shandong high - speed (Shanghai) Asset Management Co., Ltd.	Establishment	3	31,238,779.11	38,779.11
8	Sino Asset Financial Leasing Limited	Business combination not under common control	3	26,771,077.73	60,705.18
9	Sino Asset Financial Holdings Limited	Business combination not under common control	4	73,052,419.19	1,501.61
10	Sino Asset Financial Leasing (HK) Limited	Business combination not under common control	5	-7,832,467.46	8,959.53
11	Zhongqiao Finance Leasing Co., Ltd.	Business combination not under common control	6	125,995,261.49	15,353,282.26
12	Shandong Qilu Construction Group Assembly Construction Engineering Co., Ltd.	Establishment	3	9,271,363.60	271,363.60
13	Jining Hongxiang Highway Survey and Design Institute Co., Ltd.	Business combination not under common control	3	126,623,731.67	5,902,531.67
14	Shandong Ocean Energy Co., Ltd.	Establishment	3	123,543,461.91	3,543,461.91
15	Huasheng Commercial Factoring (Tianjin) Co., Ltd.	Establishment	5	50,055,472.27	55,472.27

No.	Items	Reason for inclusion	Class	Net asset at the end of period	Net profit for the current period
16	Huasheng Financial Leasing (Tianjin) Co., Ltd.	Establishment	5	382,180,868.90	12,180,868.90
17	Shandong Shipping Aitong Logistics Co., Ltd.	Business combination not under common control	5	48,416,341.18	-1,025,330.98
18	Shandong high- speed Linzao to Zaomu Road Co., Ltd.	Establishment	2	300,000,000.00	0.00
19	Shandong high- speed Service Area Improvement Construction Engineering Co., Ltd.	Establishment	2	0.00	0.00
20	Shandong high- speed Development Co., Ltd	Establishment	2	8,232,795,382.23	298,239,029.00
21	Shandong Bohai Bay Port Group Co., Ltd.	Establishment	2	1,990,335,145.65	-9,664,854.35
22	Jiyuan Jijin Freeway Co., Ltd.	Business combination not under common control	4	122,130,797.26	51,211,906.51
23	Shandong high- speed Hubei Maintenance Technology Co., Ltd.	Establishment	4	28,559,439.51	479,137.06
24	Fujian Lugao Traffic Project Management Co., Ltd.	Establishment	4	45,023,001.68	23,001.68
25	Shandong Lugao Road&Bridge City Construction Co., Ltd.	Establishment	4	100,018,502.12	18,502.12
26	Fuzhou Lugao Engineering Construction Project Management Co., Ltd.	Establishment	4	59,217,615.42	42,715.42
27	Shandong high- speed Ningxia Industry Development Co., Ltd.	Establishment	4	40,003,840.66	3,840.66
28	Panzhihua Luqiao Bingdong Line Construction Management Co., Ltd.	Establishment	3	20,024,705.96	24,705.96
29	Fujian Lugao Xinyuan Construction Co., Ltd.	Establishment	4	50,192,900.67	192,900.67
30	Sai Yue Asset Management (Shanghai) Co., Ltd.	Business combination not under common control	3	4,325,227.76	9,555.30
31	Shandong high-speed Mengzi Real Estate Co., Ltd.	Establishment	3	350.44	350.44

No.	Items	Reason for inclusion	Class	Net asset at the end of period	Net profit for the current period
32	Jinan Changying Jinhai Investment Partnership (limited partnership)	Establishment	3	53,641,340.65	51,241,340.65
33	Shandong high- speed Honghai Investment Development Co., Ltd.	Establishment	2	-155,827,711.38	-282,674,280.05
34	Shandong high- speed Qingdao Construction Management Co., Ltd.	Establishment	3	70,000,000.00	0.00
35	Shandong Ocean Cleaning Energy Co., Ltd.	Establishment	5	-746,179.66	-746,179.66
36	Dongpinghu Haitong Port Co., Ltd.	Establishment	4	46,500,000.00	0.00
37	Shandong Railway Comprehensive Development Co., Ltd.	Establishment	3	100,006,043.80	6,043.80

(VI) Entities no longer included in the scope of consolidation in current period

No.	Name	Registered address	Registered capital (RMB'0000)	Business nature	Shareholding ratio (%)	Reason for no inclusion
1	Henan Zhongzhou Railway Co., Ltd.	Zhengzhou City	43,300.00	Rail transport	70.00%	disposed and transferred
2	Shandong high - speed Light Control Industry Investment Fund Management Limited	Jinan City	20,000.00	Investment and asset management	49.00%	loss control
3	Shandong maritime mechanical and electrical equipment Co., Ltd.	Qingdao City	10,000.00	Manufacturing	45.00%	disposed and transferred
4	Jinan City PuYuan Land Co., Ltd.	Zhangqiu City	5,000.00	Investment development	100.00%	disposed and transferred
5	Xilinhote Ludi Mining Co., Ltd.	Xilinhote City	3,000.00	Mineral exploitation	60.00%	disposed and transferred
6	Shandong high – speed JiTai Mining Investment Co., Ltd.	Jinan City	1,000.00	Investment development	51.00%	disposed and transferred
7	Beijing Xintang Xinrui Technology Co., Ltd.	Beijing	610.00	Information technology services	100.00%	de-registered
8	Shanghai Hai Ming Industrial Co., Ltd	Shanghai	100.00	Trading	100.00%	disposed and transferred

(VII) Business combination under common control in current period

None.

(VIII) Business combination not under common control in current period

Name	Consolidation date	Book value of net asset	Fair value of identifiable net assets	
			Amount	Confirmation
Sino Asset Financial Leasing Limited	January 1, 2018	26,710,372.55	26,710,372.55	Asset based method

Name	Consolidation date	Book value of net asset	Fair value of identifiable net assets	
			Amount	Confirmation
Sino Asset Financial Holdings Limited	January 1, 2018	73,050,917.58	73,050,917.58	Asset based method
Sino Asset Financial Leasing (HK) Limited	January 1, 2018	-7,841,426.99	-7,841,426.99	Asset based method
Zhongqiao Finance Leasing Co., Ltd.	January 1, 2018	60,641,979.23	60,641,979.23	Asset based method
Jining Hongxiang Highway Survey and Design Institute Co., Ltd.	April 1, 2018	120,721,200.00	120,721,200.00	Asset based method
Shandong Shipping Aitong Logistics Co., Ltd.	August 1, 2018	49,441,672.16	49,441,672.16	Asset based method
Jiyuan Jijin Freeway Co., Ltd.	September 1, 2018	60,552,421.68	709,914,902.26	Equity based method
Sai Yue Asset Management (Shanghai) Co., Ltd.	January 1, 2018	4,315,672.46	4,315,672.46	Market based method

continued:

Name	Consideration	Goodwill		Revenue from the acquisition date to the end of the period	Net profit from the acquisition date to the end of the period
		Amount	Confirmation		
Sino Asset Financial Leasing Limited				800,000.00	60,705.18
Sino Asset Financial Holdings Limited					1,501.61
Sino Asset Financial Leasing (HK) Limited				40,000.00	8,959.53
Zhongqiao Finance Leasing Co., Ltd.				96,841,834.59	15,353,282.26
Jining Hongxiang Highway Survey and Design Institute Co., Ltd.	61,567,800.00			70,883,049.53	5,902,531.67
Shandong Shipping Aitong Logistics Co., Ltd.	28,700,000.00			21,311,415.40	-1,025,330.98
Jiyuan Jijin Freeway Co., Ltd.	709,914,902.26			113,689,726.19	29,345,154.31
Sai Yue Asset Management (Shanghai) Co., Ltd.	4,331,515.25	447,410.04		100,000.00	9,555.30

(IX) Reverse merger in current period

None.

(X) Consolidation by merger in current period

None.

(XI) Major restrictions of subsidiaries on the use of corporate group assets and the liquidation of debt

None.

(XII) Related information on structured entities included in the scope of consolidation

None.

(XIII) Others

None.

VIII. Description of significant Items in consolidated financial statements

Unless otherwise stated, the opening balance refers to December 31, 2017, closing balance refers to December 31, 2018, the current period refers to year 2018, the prior period refers to year 2017.

Note 1 Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	195,962,306.33	227,365,803.07
Bank balances	33,876,513,516.91	36,688,247,729.71
Other cash and bank balances	4,557,377,488.79	3,154,763,314.66
Total	38,629,853,312.03	40,070,376,847.44
Including: Total amount of deposited abroad	868,808,853.07	325,778,593.33

1) The deposit reserve Items deposited in Central Bank of China by Weihai City Commercial Bank Co., Ltd., a controlled subsidiary of the Company is listed in the title of bank balances in the Group's consolidated statements. The deposit reserve deposited in Central Bank of China includes the statutory deposit reserve and excess deposit reserve. According to regulations, the statutory deposit reserve deposited in People's Bank of China could not be used for daily business, and without the allowance of Central Bank of China could not be used.

2) Other cash and bank balances are mainly bank guarantee, acceptance bill and L/C guarantee.

Restricted cash and cash equivalents are as follows:

Items	Closing balance
Cash deposit of draft, performance bond and letter of Credit	3,231,066,575.96

Items	Closing balance
Fixed deposit and notice of deposit	154,093,828.60
The deposit reserve items deposited in Central Bank of China	12,329,380,272.99
Others	4,161,085.98
Total	15,718,701,763.53

Note2 Lending to banks and other financial institutions

Items	Closing balance	Opening balance
Lending to banks	1,264,279,600.00	1,207,292,800.00
Lending to domestic bank	1,264,279,600.00	1,202,292,800.00
Lending to overseas bank		5,000,000.00
Lending to other financial institutions	5,000,000.00	
Total	1,269,279,600.00	1,207,292,800.00
Less: loss provisions of funds dismantled		
Book value	1,269,279,600.00	1,207,292,800.00

Note 3 Financial assets measured at fair value through profits and losses of the current period

Items	Closing balance	Opening balance
Subtotal of transactional financial assets	6,724,698,874.86	7,281,656,304.85
Including: Investment in debt instruments	5,503,451,682.60	5,362,536,316.77
Investment in equity instruments	1,191,249,192.26	1,919,119,988.08
Others	29,998,000.00	
Total	6,724,698,874.86	7,281,656,304.85

Note 4 Notes receivable and Accounts receivable

Items	Closing balance	Opening balance
Notes receivable	1,110,359,729.60	544,116,815.14
Accounts receivable	5,079,517,542.96	4,895,207,419.06
Total	6,189,877,272.56	5,439,324,234.20

(I) Notes receivable

1. Categories of notes receivable

Category	Closing balance	Opening balance
Bank acceptance bill	894,943,682.48	533,227,592.03
Commercial acceptance bill	215,416,047.12	10,889,223.11
Total	1,110,359,729.60	544,116,815.14

2. The amount of notes receivable that has been pledged

Category	Closing balance pledged
Bank acceptance bill	168,000,000.00
Total	168,000,000.00

3. The amount of notes receivable that has been endorsed or discounted and has not become due on balance sheet date.

Category	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	448,087,961.41	
Commercial acceptances		78,374,481.89
Total	448,087,961.41	78,374,481.89

4. Bills receivable converted into accounts receivable due to default of the drawer.

Category	Closing balance converted into accounts receivable
Bank acceptance	
Commercial acceptances	4,000,000.00
Total	4,000,000.00

(II) Accounts receivable

Category	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually	392,800,769.92	6.77	114,924,597.21	29.26
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	5,271,104,761.51	90.88	500,430,611.42	9.49
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	136,283,525.97	2.35	105,316,305.81	77.28
Total	5,800,189,057.40	100.00	720,671,514.44	

Continued:

Category	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually	705,996,536.13	12.77	90,156,445.38	12.77
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	4,722,187,520.80	85.42	466,401,532.59	9.88
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	100,015,403.70	1.81	76,434,063.60	76.42
Total	5,528,199,460.63	100.00	632,992,041.57	

1. Accounts receivable with significant single amounts at the end of period and for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage (%)	Reason for drawing bad debt reserve
Hebei Taiheng Special Steel Co., Ltd.	150,138,003.09	11,215,195.08	0-2years	7.47	Involved in appeal
Guangzhou Daguang Expressway Co., Ltd.	140,309,906.43	42,092,971.93	2-5years	30.00	Not expected to be fully recovered
Henan Trading Group Co., Ltd. Qingdao Branch	102,352,860.40	61,616,430.20	3-5years	60.20	Disposal of mortgage, probability of bad debt increased
Total	392,800,769.92	114,924,597.21			

2. Accounts receivable for which bad debt provision are drawn according to credit risk characteristics combination

(1) Accounts receivable for which bad debt provision are drawn by adopting aging analysis method:

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	2,886,739,800.52	67.45	132,428,501.53	2,412,545,313.33	61.79	108,069,617.60
1 to 2 years	781,868,719.24	18.27	78,186,872.05	793,071,102.23	20.31	79,307,110.24
2 to 3 years	348,391,008.61	8.14	104,517,302.58	531,429,061.10	13.61	159,428,718.31
Over 3 years	262,705,402.62	6.14	185,297,935.26	167,490,684.31	4.29	119,596,086.44
Total	4,279,704,930.99	100.00	500,430,611.42	3,904,536,160.97	100.00	466,401,532.59

(2) Accounts receivable for which bad debt provision are drawn by adopting another combination method

Name of combination	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision for bad debt	Book balance	Proportion (%)	Provision for bad debt
Related party combination	230,426,248.93			64,147,776.52		
Risk-free group	760,973,581.59			753,503,583.31		
Total	991,399,830.52			817,651,359.83		

3. Accounts receivable with insignificant single amounts at the end of period but for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Bad debt reserve percentage (%)	Age	Reason for drawing bad debt reserve
Qingdao Qinglong Expressway Construction Co., Ltd.	19,892,095.60	9,736,145.29	48.94	2-4 years	Estimated future cash flow
Shandong Bogeda Real Estate Co., Ltd.	15,770,282.56	15,770,282.56	100.00	2-3 years	Estimated future cash flow
East Timor Infrastructure Department	13,804,760.52	13,804,760.52	100.00	2-5 years	Estimated future cash flow
Jiangsu Ruihe Fertilizer Co., Ltd.	12,852,926.95	1,285,292.70	10.00	1-2 years	Estimated future cash flow
East Timor Public Engineering Department	10,294,800.00	10,294,800.00	100.00	3-4 years	Estimated future cash flow
Jinan Mingda Express Co., Ltd.	5,110,692.09	4,088,553.67	80.00	4-5 years	Estimated future cash flow
Guangzhou Aosen Petrochemical Co., Ltd.	2,184,047.17	2,184,047.17	100.00	4-5 years	Estimated future cash flow
Yanwei Garrison District Police District Traffic Police Department	5,347,137.00	5,347,137.00	100.00	Over 10 years	Estimated future cash flow
Wutihuanyu Trading Co., Ltd.	5,966,730.00	5,966,730.00	100.00	3-4 years	Estimated future cash flow
Hubei Jingtong Investment Management Co., Ltd.	4,838,200.00	481,570.00	9.95	0-2 years	Estimated future cash flow
People's Republic of China Ministry of Commerce	4,123,980.27	4,123,980.27	100.00	4-5 years	Estimated future cash flow
Jinan Fusheng Energy Co., Ltd.	3,001,325.99	3,001,325.99	100.00	3-4 years	Estimated future cash flow
Shandong Yanhua Plastic Industry Co., Ltd.	2,995,024.28	2,096,517.00	70.00	3-4 years	Estimated future cash flow
Agricultural cooperatives in Jiamusi	2,083,598.40	2,083,598.40	100.00	4-5 years	Estimated future cash flow
Kaifeng Tongda Company Xujing High-speed Pavement Six Standards	1,955,780.20	1,955,780.20	100.00	Over 5 years	Estimated future cash flow
Shandong Tongda Road and Bridge Engineering Co., Ltd.	1,916,279.20	191,627.92	10.00	2-3 years	Estimated future cash flow

Name of debtor	Book balance	Provision for bad debt	Bad debt reserve percentage (%)	Age	Reason for drawing bad debt reserve
Road & bridge construction of green silver high - speed Jinan City Ring North four contract	1,775,218.90	1,775,218.90	100.00	Over 5 years	Estimated future cash flow
Xubo Road Zongjiao Third Branch Co., Ltd.	1,708,578.18	1,708,578.18	100.00	Over 5 years	Estimated future cash flow
China Railway Third Municipal Sixth Company Xujing Road Pavement Fifth Standards	1,578,159.00	1,578,159.00	100.00	Over 5 years	Estimated future cash flow
Others	19,083,909.66	17,842,201.04	93.49		
Total	136,283,525.97	105,316,305.81			

4. There is no recoverable bad debt of accounts receivable need to be disclosed in current period.

5. There is no accounts receivable write-off need to be disclosed in current period.

6. Details of the top 5 debtors with largest closing balances

Name of debtor	Book balance	Proportion (%)	Provision for bad debt
Hohhot Municipal Engineering Administration	356,881,544.00	6.15	50,196,802.00
Serbian Ministry of Transport and Infrastructure Construction	299,349,828.24	5.16	14,967,491.41
CITIC Construction (Angola) Co., Ltd.	189,563,729.86	3.27	9,804,559.63
Jining New City Development Investment Co., Ltd.	184,641,204.20	3.18	11,967,096.90
Guangzhou Dagang Expressway Co., Ltd.	140,309,906.43	2.42	42,092,971.93
Total	1,170,746,212.73	20.18	129,028,921.87

Note 5 Prepayments

1. Prepayments are presented in aging combination

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Amount		Amount	Amount	
Within 1 year (including 1 year)	1,841,885,725.50	68.08	627,158.67	2,675,090,163.12	60.26	9,104.35
1 to 2 years (including 2 years)	312,082,963.67	11.54	11,490.90	1,091,458,258.12	24.58	

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Amount		Amount	Amount	
2 to 3 years (including 3 years)	53,373,125.81	1.97		161,222,984.16	3.63	10,848,350.67
Over 3 years	498,002,509.38	18.41	31,669,328.47	511,913,331.39	11.53	31,727,348.00
Total	2,705,344,324.36	100.00	32,307,978.04	4,439,684,736.79	100.00	42,584,803.02

2. Large-amount prepayments with an age of over one year

Creditor entity	Debtor entity	Closing balance	Age	Reason for failure to settle
Shandong high - speed Logistics Group Co., Ltd	Shandong Energy International Logistics Co., Ltd.	242,800,000.00	Over 3 years	Not settled
Shandong High-speed Logistics Group Co., Ltd.	Beijing Shenhua Changyun high - tech coal blending Co., Ltd	79,280,222.40	Over 3 years	Not settled
Shandong High-speed Weiri Highway Co., Ltd.	China State Construction Engineering Corporation	64,619,996.24	1-2years	Not settled
Shandong high - speed Logistics Supply Chain Co., Ltd.	Hebei Taiheng Special Steel Co., Ltd.	45,744,423.71	1-2years	Not settled
Shandong high - speed West Coast Port Co., Ltd.	TWS WORLDWIDE	33,404,927.00	Over 2 years	Not settled
Shandong high - speed Hainan Development Co., Ltd.	Zhuo Ran (Jingjiang) Equipment Manufacturing Co., Ltd	21,480,000.00	1-2years, over 3 years	Not settled
China Shandong Foreign Economic and Technical Cooperation Group Co., Ltd.	ENERGOPROJEKT NISKOGRADNJA AD	18,932,657.92	1-2years	Not settled
China Shandong Foreign Economic and Technical Cooperation Group Co., Ltd.	China Haoyuan Group Co., Ltd.	18,124,402.27	1-2years, over 3 years	Not settled
Total		524,386,629.54		

3. Details of the top 5 debtors with largest closing balances.

Name of debtor	Book balance	Proportion (%)	Provision for bad debt
Shandong Jingbo Petrochemical Co., Ltd.	260,704,676.58	9.64	
Shandong Energy International Logistics Co., Ltd	242,800,000.00	8.97	
PETROEAST SINGAPORE PTE LTD	213,571,400.00	7.89	
Jinan China Railway Bureau Group Co., Ltd.	126,808,100.89	4.69	
Rizhao Xingye Import and Export Trading Co.	113,432,537.74	4.19	
Total	957,316,715.21	35.38	

Note 6 Premiums receivable

1. Overall situation of premiums receivable

Category	Closing balance				
	Book balance	Proportion to total amount (%)	Provision for bad debt	Proportion of bad debt (%)	Book value
Assessed for bad debt as a combination based on credit risk characteristics	109,226,344.85	100.00	38,344,592.12	35.11	70,881,752.73
Total	109,226,344.85	100.00	38,344,592.12		70,881,752.73

continued:

Category	Opening balance				
	Book balance	Proportion to total amount (%)	Provision for bad debt	Bad debt reserve percentage (%)	Book value
Assessed for bad debt as a combination based on credit risk characteristics	80,739,428.52	100.00	20,091,801.99	24.88	60,647,626.53
Total	80,739,428.52	100.00	20,091,801.99		60,647,626.53

2. Premiums receivable for which bad debt are assessed as a combination based on credit risk characteristics

Premiums receivable for which bad debt provision are drawn by adopting aging analysis method:

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debt	Proportion (%)	Book balance	Provision for bad debt	Proportion (%)
Within 6 months (including 6 months)	59,953,074.72			43,301,902.71		
6 months to 1 year (including 1 year)	21,857,356.03	10,928,678.02	50.00	34,691,447.64	17,345,723.82	50.00
Over 1 year	27,415,914.10	27,415,914.10	100.00	2,746,078.17	2,746,078.17	100.00
Total	109,226,344.85	38,344,592.12		80,739,428.52	20,091,801.99	

3. Analysis through the book balance of insurance structures

Category	Closing balance	Opening balance
Engineering insurance	63,052,929.68	36,201,594.54
Agricultural insurance	36,614,690.89	31,951,362.83
Property insurance	3,366,497.38	4,092,216.82
Accident insurance	2,736,740.63	2,934,434.30
Other insurance	3,455,486.27	5,559,820.03
Total	109,226,344.85	80,739,428.52

4. Details of the top 5 debtors with largest closing balances

Name of debtor	Book balance
Shandong Gezhouba Zaohe Expressway Co., Ltd.	13,335,949.15
Shandong Qilu Ningliang Expressway Co., Ltd.	8,898,285.41
Shandong Gezhouba Jushan Expressway Co., Ltd.	7,651,656.25
China Construction Corporation	7,503,065.38
Shandong Gezhouba Jitai Expressway Co., Ltd.	4,581,735.52
Total	41,970,691.71

Note 7 Reinsurance accounts receivable

1. Overall situation of reinsurance accounts receivable

Category	Closing balance				
	Book balance	Proportion to total amount (%)	Provision for bad debt	Proportion of bad debt (%)	Book value
Assessed for bad debt as a combination based on credit risk characteristics	160,600,139.91	100.00	876,543.12	0.55	159,723,596.79

continued:

Category	Opening balance				
	Book balance	Proportion to total amount (%)	Provision for bad debt	Bad debt reserve percentage (%)	Book value
Assessed for bad debt as a combination based on credit risk characteristics	90,394,777.46	100.00	3,340,739.17	3.70	87,054,038.29

2. Reinsurance accounts receivable for which bad debt are assessed as a combination based on credit risk characteristics

Reinsurance accounts receivable for which bad debt provision are drawn by adopting aging analysis method:

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debt	Proportion (%)	Book balance	Provision for bad debt	Proportion (%)
Within 6 months (including 6 months)	159,158,977.86			85,110,481.20		
6 months to 1 year (including 1 year)	1,129,237.86	564,618.93	50.00	3,887,114.18	1,943,557.09	50.00
Over 1 year	311,924.19	311,924.19	100.00	1,397,182.08	1,397,182.08	100.00
Total	160,600,139.91	876,543.12		90,394,777.46	3,340,739.17	

Note 8 Other receivables

Items	Closing balance	Opening balance
Interest receivable	2,159,814,217.56	1,824,797,950.44
Dividends receivable	1,962,818,387.14	129,285,706.03
Other receivables	17,041,844,559.31	13,885,137,353.85
Total	21,164,477,164.01	15,839,221,010.32

(I) Interest receivable

Items	Closing balance	Opening balance
Margin Interest	93,240,216.20	84,613,980.98
Held to maturity investments	638,257,347.41	691,533,018.74
Save the capital deposit	28,463,584.93	12,911,250.00
Large agreement deposit	377,360.69	343,007.48

Items	Closing balance	Opening balance
Loan interest	528,231,030.02	509,814,385.70
Available for sale financial assets	325,266,153.54	118,109,379.05
Other interest	4,176,388.90	7,184,682.90
Entrusted Loan	43,832,007.45	6,997,641.89
Financial assets at fair value through profit or loss	187,354,635.73	153,000,807.30
Bond investment	310,615,492.69	240,289,796.40
Total	2,159,814,217.56	1,824,797,950.44

(II) Dividends receivable

Items	Closing balance	Opening balance	Reason for failure to collect	Whether impaired and basis for judgment
Dividends receivable aged within 1 year	1,926,251,454.76	129,285,706.03		
Including: Shandong Taishan scholar blue industry leading talent equity investment partnership (limited partnership)		7,198.59	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Binzhou Henglan Investment Center (limited partnership)		8,623.71	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shan Gao (Yantai) Lecheng Investment Center (limited partnership)	13,046,532.60	4,491,007.88	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong High Speed Investment Fund Management Center (Limited Partnership)	1,860,296.89	202,375.85	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong High-speed Investment Fund Management Co., Ltd. Elephant International Project Special Fund	8,876,752.01	5,737,800.00	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong High Speed Urbanization Fund Management Center (Limited Partnership)	53,410,755.07	118,838,700.00	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shangao (Yantai) Zhuoyue Investment Center (Limited Partnership)	141,753.86		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Evergrande Real Estate Investment Income	1,788,056,821.81		not paid yet	It is expected to be recoverable in the short term and no sign of impairment

Items	Closing balance	Opening balance	Reason for failure to collect	Whether impaired and basis for judgment
Shangao (Yantai) Fangxu Investment Center (Limited Partnership)	1,778,886.95		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shangao (Yantai) Beiyin Investment Center (Limited Partnership)	232,757.47		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Yantai Shangao Yule Investment Center (Limited Partnership)	17,357,760.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong Expressway Beiyin (Shanghai) Equity Investment Fund Management Co., Ltd.	1,982,363.73		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Qingdao Jinhua No.8 Investment Partnership (Limited Partnership)	325,200.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Rizhao Changhe No.1 Investment Partnership (Limited Partnership)	313,500.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Rizhao Jieyou Enterprise Management Service Center (Limited Partnership)	35,689,131.80		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Rizhao Shengyan No.1 Investment Partnership (Limited Partnership)	491,600.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Rizhao Jiazhi Investment Partnership (Limited Partnership)	2,687,342.57		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Dividends receivable aged over 1 year	36,566,932.38			
Shandong Expressway Urbanization Fund Management Center (Limited Partnership)	32,075,924.50		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shangao (Yantai) Lecheng Investment Center (Limited Partnership)	4,491,007.88		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Total	1,962,818,387.14	129,285,706.03		

(III) Other receivables

Category	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amounts and for which bad debt provision are drawn individually	843,293,852.05	4.65	581,003,944.25	68.90
Other receivables for which bad debt provision are drawn according to combination of credit risk characteristics	16,997,448,245.05	93.66	365,322,589.72	2.15
Other receivables with insignificant single amounts but for which bad debt provision are drawn individually	307,014,051.60	1.69	159,585,055.42	51.98
Total	18,147,756,148.70	100.00	1,105,911,589.39	

Continued:

Category	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amounts and for which bad debt provision are drawn individually	727,811,075.35	4.98	361,716,558.35	49.70
Other receivables for which bad debt provision are drawn according to combination of credit risk characteristics	13,691,784,632.64	93.79	260,338,839.35	1.90
Other receivables with insignificant single amounts but for which bad debt provision are drawn individually	179,427,834.79	1.23	91,830,791.23	51.18
Total	14,599,023,542.78	100.00	713,886,188.93	

1. Other receivables with significant single amounts at the end of period and for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage (%)	Reason for drawing bad debt reserve
Shenzhen Li Tianjun Supply Chain Co., Ltd.	305,533,879.36	201,295,159.36	2-5 years	65.88	Estimating future cash flow
Repurchase Weihai access to bad assets	219,715,931.00	219,715,931.00	Over 5 years	100.00	Estimating future cash flow
Shenzhen Fengchuang Trading Co., Ltd.	100,265,335.26	66,767,114.51	2-5years	66.59	Estimating future cash flow
SDIC Taikang Trust Co., Ltd.	76,639,812.70	7,663,981.27	1-2years	10.00	Estimating future cash flow

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage (%)	Reason for drawing bad debt reserve	
Shenzhen Zhongmanli Trading Co., Ltd.	71,928,084.71	41,598,875.69	2-5 years	57.83	Estimating cash flow	future
Shandong Wenlai Expressway Co., Ltd.	38,842,964.00	13,595,037.40	Within 1 year	35.00	Estimating cash flow	future
C&HEAVY INDUSTRIES CO.,LTD	30,367,845.02	30,367,845.02	2-3years	100.00	Estimating cash flow	future
Total	843,293,852.05	581,003,944.25				

2. Other receivables for which bad debt provision are drawn according to credit risk characteristics combination

(1) Other receivables for which bad debt provision are drawn by adopting aging analysis method

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	3,109,309,646.19	88.35	85,492,320.80	1,666,768,603.66	82.04	6,354,218.44
1 to 2 years (including 2 years)	89,897,585.57	2.55	8,989,701.36	77,341,983.06	3.81	7,734,198.31
2 to 3 years (including 3 years)	40,918,740.22	1.16	12,275,622.05	17,353,677.41	0.85	5,206,103.22
Over 3 years	279,354,031.33	7.94	258,564,945.51	270,171,460.04	13.30	241,044,319.38
Total	3,519,480,003.31	100.00	365,322,589.72	2,031,635,724.17	100.00	260,338,839.35

(2) Other receivables for which bad debt provision are drawn by adopting another combination method

Name of combination	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision for bad debt	Book balance	Proportion (%)	Provision for bad debt
Related party combination	6,166,027,661.45			6,457,564,536.69		
Risk-free group	7,311,940,580.29			5,202,584,371.78		
Total	13,477,968,241.74			11,660,148,908.47		

3. Other receivables with insignificant single amounts at the end of period but for which bad debt provision is drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Zhongxin United Investment Development (Beijing) Co., Ltd.	28,227,407.09	2,822,740.71	1-2years	10.00	Estimating future cash flow
Guangzhou Daguang Expressway Co., Ltd.	27,751,798.67	8,325,539.60	Within 1 years	30.00	Estimating future cash flow
Hebei Taiheng Special Steel Co., Ltd.	27,462,690.37	2,746,269.04	1-2years	10.00	Estimating future cash flow
Shandong Jinan Investment Company	23,874,548.18	23,874,548.18	Over 5 years	100.00	Estimating future cash flow
Shandong Qinglin Railway Co., Ltd.	22,518,631.13	22,518,631.13	Over 5 years	100.00	Estimating future cash flow
Shandong Gaocheng Petroleum Technology Co., Ltd.	14,455,495.89	7,227,747.95	3-4years	50.00	Estimating future cash flow
Xinyuan Ted Hotel & Courts	13,906,944.32	13,906,944.32	Over 5 years	100.00	Estimating future cash flow
Court deducted lawsuit fees	12,004,953.14	7,305,112.69	1-5years	60.85	Estimating future cash flow
Changle Shengbao Trading Co., Ltd.	11,220,584.53	3,341,175.36	Within 1 years, 2-3years	29.78	Estimating future cash flow
Shandong Province Hong Lin Material Co., Ltd.	5,170,000.00	5,170,000.00	Over 5 years	100.00	Estimating future cash flow
Sun Marine Offshore Solutions Inc.	3,996,967.20	1,998,483.60	3-4years	50.00	Estimating future cash flow
Wuhan Media Technology Co., Ltd.	8,648,180.00	1,589,655.25	Within 3 years	18.38	Estimating future cash flow
Non-tax revenue management office of Fushan District, Yantai City	5,700,000.00	2,850,000.00	3-4years	50.00	Estimating future cash flow
Xilinhote Ludi Mining Co., Ltd.	14,333,775.88	892,167.87	Within 1 years	6.22	Estimating future cash flow
Yangxin Longtai Trading Co., Ltd.	9,877,800.00	4,938,900.00	3-4years	50.00	Estimating future cash flow
IMC SHIP MANAGEMENT (CHINA) CO., LIMITED	5,020,220.79	2,510,110.38	3-4years	50.00	Estimating future cash flow
Zandonella AG.CO.LTD	2,752,566.03	2,752,566.03	2-3years	100.00	Estimating future cash flow
Jinan Urban and Rural Construction Committee	2,075,532.90	2,075,532.90	2-3years	100.00	Estimating future cash flow
Taizhou Haijian Construction Engineering Co., Ltd.	13,138,603.46	13,138,603.46	Over 5 years	100.00	Estimating future cash flow
Guinea Mining Licensing Council (CARPA)	10,294,800.00	8,235,840.00	4-5years	80.00	Estimating future cash flow
Others	44,582,552.02	21,364,486.95		47.92	Estimating future cash flow

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Total	307,014,051.60	159,585,055.42			

4. There is no recoverable bad debt of other receivable need to be disclosed in current period.

5. There is no other receivable write-off need to be disclosed in current period.

6. Details of the top 5 debtors with largest closing balances

Name of debtor	Nature of payment	Book balance	Age	Proportion (%)	Provision for bad debt
Shandong Railway Development Fund Co., Ltd.	Exchanges	3,908,140,289.92	Within 2 years	21.54	
Shandong Commercial Group Co., Ltd.	Exchanges	1,500,000,000.00	Within 1 years	8.27	75,000,000.00
Shandong Provincial Department of Transportation	Collection of tolls	1,383,357,680.92	Within 1 years	7.62	
Jinan Liyuan Real Estate Co., Ltd.	Exchanges	1,077,339,482.84	2-5years	5.94	
Shandong Ocean Engineering International Co., Ltd.	Exchanges	864,386,452.44	Within 1 years	4.76	
Total		8,733,223,906.12		48.13	75,000,000.00

Note 9 Financial assets acquired for re-sale

Items	Closing balance	Opening balance
Bonds	1,610,803,085.00	14,633,130,000.00
Trust and asset management plan		425,000,001.82
Less: Bad debt provision		
Total book value	1,610,803,085.00	15,058,130,001.82

Note 10 Inventories

1. Category of inventories

Items	Closing balance		
	Book balance	Provision for loss on decline in value	Book value
Raw materials	1,410,681,691.76	1,398,309.41	1,409,283,382.35
Self-manufactured semi-finished products and unfinished products	134,978,846.00		134,978,846.00

Items	Closing balance		
	Book balance	Provision for loss on decline in value	Book value
Goods on hand (finished products)	3,008,871,647.59	135,926,994.04	2,872,944,653.55
Revolving materials (packing materials and low-value consumables)	358,423,441.37		358,423,441.37
Cost of development	10,325,983,709.49		10,325,983,709.49
Engineering construction (Payment has not been made after completion)	6,041,468,851.73	78,670,601.41	5,962,798,250.32
Other	267,630,773.78		267,630,773.78
Total	21,548,038,961.72	215,995,904.86	21,332,043,056.86

Continued:

Items	Opening balance		
	Book balance	Provision for loss on decline in value	Book value
Raw materials	657,780,108.50	1,773,989.95	656,006,118.55
Self-manufactured semi-finished products and unfinished products	124,849,481.06		124,849,481.06
Goods on hand (finished products)	4,548,596,591.58	70,957,440.30	4,477,639,151.28
Revolving materials (packing materials and low-value consumables)	281,630,377.82		281,630,377.82
Cost of development	11,607,362,596.75		11,607,362,596.75
Engineering construction (Payment has not been made after completion)	5,241,584,968.59	174,759,158.57	5,066,825,810.02
Other	297,446,421.71		297,446,421.71
Total	22,759,250,546.01	247,490,588.82	22,511,759,957.19

2. The closing balance of the inventory includes the capitalization amount of the borrowing costs of RMB 2,704,705,872.54.

3. Completed and unsettled assets resulted from construction contracts at the end of period

Items	Closing balance
Accumulative incurred cost	49,091,928,881.69
Accumulative recognized gross profit	5,464,412,853.97
Less: Estimated loss	78,670,601.41
Settled amount	48,514,872,883.93
Completed and unsettled assets resulted from construction contracts	5,962,798,250.32

Note 11 Non-current assets due within one year

Items	Closing balance	Opening balance
Non-current assets due within one year (including entrusted loans)	170,333,333.32	900,000,000.00
BT projects and long - term receivables	22,561,835.99	301,437,935.52
Others	27,672.95	839,105.34
Total	192,922,842.26	1,202,277,040.86

Note 12 Other current liabilities

Items	Closing balance	Opening balance
Receivables investment due within one year	9,575,853,738.29	21,400,403,516.32
Prepaid taxes (Include VAT input tax)	5,736,682,851.92	2,906,444,354.39
Total	15,312,536,590.21	24,306,847,870.71

Note 13 Loans and advances

1. Distribution of loans and advance payments according to individuals and enterprises

Items	Closing balance	Opening balance
(1) Individual loans and advance payments:	15,180,994,535.45	11,403,129,601.74
—Credit cards	51,146,433.75	23,851,812.14
—Residential mortgage loan	7,848,132,419.94	6,029,686,925.23
—Personal business loan	6,488,382,933.48	4,520,873,696.23
—Others	793,332,748.28	828,717,168.14
(2) Enterprise loans and advance payments:	59,421,128,667.41	54,607,009,294.81
—Loans	52,440,795,510.39	49,732,215,053.96
—Discount	6,617,686,151.60	3,917,797,044.68
—Trade financing	221,170,411.65	664,943,815.26
—Advances	85,843,682.37	292,053,380.91
—Interbank lending	55,632,911.40	
(3) Total amount of loans and advance payments	74,602,123,202.86	66,010,138,896.55
Less: Provision for loan loss	1,994,364,492.27	1,721,204,926.50
Including: Single drawn amount	412,706,754.05	399,039,321.15
Combined drawn amount	1,581,657,738.22	1,322,165,605.35

Items	Closing balance	Opening balance
(4) Book value of loans and advance payments	72,607,758,710.59	64,288,933,970.05

2. Distribution of loans and advance payments according to mode of security

Items	Closing balance	Opening balance
Loan on credit	1,520,025,309.93	1,795,414,967.35
Loan on guarantee	36,808,714,167.18	35,477,378,313.13
Collateral loans	36,273,383,725.75	28,737,345,616.07
Including: Mortgage loans	26,252,240,090.28	21,176,975,586.70
Pledge loans	10,021,143,635.47	7,560,370,029.37
Total amount of loans and advance payments	74,602,123,202.86	66,010,138,896.55
Less: Provision for loan loss	1,994,364,492.27	1,721,204,926.50
Including: Provision on individual basis	412,706,754.05	399,039,321.15
Provision on combined basis	1,581,657,738.22	1,322,165,605.35
Book value of loans and advance payments	72,607,758,710.59	64,288,933,970.05

3. Overdue loans

Items	Closing balance				
	Overdue for 1 to 90 (inclusive) days	Overdue for 90 to 360 (inclusive) days	Overdue for 360 to 3 (inclusive) years	Overdue for over 3 years	Total
Loan on credit	810,516.43	629,278.30	3,638,499.35		5,078,294.08
Loan on guarantee	772,449,891.60	721,907,049.91	242,069,987.10	9,762,700.88	1,746,189,629.49
Collateral loans	95,490,789.61	270,236,761.56	15,263,512.16	13,879,251.37	394,870,314.70
Including: Mortgage loans	95,490,789.61	176,246,761.56	15,263,512.16	13,879,251.37	300,880,314.70
Pledge loans		93,990,000.00			93,990,000.00
Total	868,751,197.64	992,773,089.77	260,971,998.61	23,641,952.25	2,146,138,238.27

Continued:

Items	Opening balance				
	Overdue for 1 to 90 (inclusive) days	Overdue for 90 to 360 (inclusive) days	Overdue for 360 to 3 (inclusive) years	Overdue for over 3 years	Total
Loan on credit	466,916.81	650,262.66	1,218,487.94		2,335,667.41
Loan on guarantee	122,054,520.21	411,915,657.20	449,573,294.75	120,892.41	983,664,364.57
Collateral loans	30,830,798.45	19,665,762.33	86,799,861.02	1,800,000.00	139,096,421.80
Including: Mortgage loans	30,830,798.45	19,665,762.33	77,799,861.02	1,800,000.00	130,096,421.80
Pledge loans			9,000,000.00		9,000,000.00

Items	Opening balance				Total
	Overdue for 1 to 90 (inclusive) days	Overdue for 90 to 360 (inclusive) days	Overdue for 360 to 3 (inclusive) years	Overdue for over 3 years	
Total	153,352,235.47	432,231,682.19	537,591,643.71	1,920,892.41	1,125,096,453.78

4. Provision for loan loss

Items	Amount incurred in current period		Amount incurred in prior period	
	Single	Combined	Single	Combined
Opening balance	399,039,321.15	1,322,165,599.37	316,837,523.70	1,183,900,662.94
Amount drawn in current period	956,471,119.15	259,492,138.85	211,067,368.34	120,484,604.16
Amount transferred out in current period	9,360,029.64			
Amount written off in current period	938,724,540.88		128,865,570.89	
Amount reversed in current period	5,280,884.27			17,780,332.27
— Reversal resulted from recovery of originally written off loans and advance payments	5,280,884.27			17,780,332.27
Closing balance	412,706,754.05	1,581,657,738.22	399,039,321.15	1,322,165,599.37

Note 14 Available-for-sale financial assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt instruments	18,591,647,761.94		18,591,647,761.94	5,497,019,613.72	19,756.00	5,496,999,857.72
Available-for-sale equity instruments	68,357,446,222.58	278,829,150.66	68,078,617,071.92	61,167,257,696.31	235,845,686.87	60,931,412,009.44
Including: Instruments measured at fair value	1,087,378,071.91	49,481,093.09	1,037,896,978.82	1,103,630,689.20	7,472,462.90	1,096,158,226.30
Instruments measured on the basis of cost	67,270,068,150.67	229,348,057.57	67,040,720,093.10	60,063,627,007.11	228,373,223.97	59,835,253,783.14
Purchased non-guaranteed financial products	1,878,085,753.43		1,878,085,753.43	3,198,475,342.46		3,198,475,342.46
Others				100,393,403.40	22,460,000.00	77,933,403.40
Total	88,827,179,737.95	278,829,150.66	88,548,350,587.29	69,963,146,055.89	258,325,442.87	69,704,820,613.02

Note: The non-guaranteed financial products is purchased by the subsidiary Weihai City Commercial Bank.

Note 15 Held-to-maturity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
1. National bonds	4,985,445,924.32		4,985,445,924.32	8,221,649,443.93		8,221,649,443.93
2. Policy-related bank bonds	16,927,197,989.41		16,927,197,989.41	20,831,347,870.44		20,831,347,870.44
3. Other bonds	15,191,906,970.62		15,191,906,970.62	12,576,296,005.11		12,576,296,005.11
Total	37,104,550,884.35		37,104,550,884.35	41,629,293,319.48		41,629,293,319.48

Note 16 Long-term account receivable

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Amount of financial lease	20,527,019,277.25	271,166,971.96	20,255,852,305.29	15,609,056,343.91	129,535,924.80	15,479,520,419.11
Including: Unrealized financing income	1,868,296,124.78	2,310,298.02	1,865,985,826.76	1,473,579,240.09	3,014,998.52	1,470,564,241.57
Receivables of BT project	1,090,266,520.01	4,580,173.61	1,085,686,346.40	173,046,423.46	525,873.71	172,520,549.75
Installment sale of labor service	1,002,716,657.04		1,002,716,657.04	1,026,095,820.36		1,026,095,820.36
Others	149,428,538.04		149,428,538.04	173,842,219.37		173,842,219.37
Total	22,769,430,992.34	275,747,145.57	22,493,683,846.77	16,982,040,807.10	130,061,798.51	16,851,979,008.59

Note: The interval of long-term account receivable discount rate is between 4.75%-15.44%.

Note 17 Long-term equity investments

1. Classification of long-term equity investments

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries				
Investment in joint ventures	252,849,451.78	190,433,958.80	78,537,242.22	364,746,168.36
Investment in associated enterprises	12,253,693,852.16	4,945,926,830.36	68,834,740.63	17,130,785,941.89
Sub-total	12,506,543,303.94	5,136,360,789.16	147,371,982.85	17,495,532,110.25
Less: Provision for impairment of long-term equity investments	25,093,880.84			25,093,880.84
Total	12,481,449,423.10	5,136,360,789.16	147,371,982.85	17,470,438,229.41

2. Details of long-term equity investments

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Total	14,148,342,612.58	12,506,543,303.94	2,780,167,418.13	-76,977,013.34	453,371,107.37	333,338,097.10	-681,835.79	-70,394,969.51		17,495,532,110.25	25,093,880.84
I. Joint ventures	439,108,180.00	252,849,451.78	187,285,250.00	-49,702,542.22	3,148,708.80			-28,834,700.00		364,746,168.36	800,000.00
Henan Zhengxin Railway Co., Ltd.	49,000,000.00	25,556,071.42		-25,556,071.42							
Qingdao Ocean Foundation Venture Capital Limited Company	66,825,000.00	87,156,362.26		-24,146,470.80	7,988,133.54			-27,000,000.00		43,998,025.00	
Shandong Ocean Brightstone Industrial Fund Management Co., Ltd.	16,000,000.00	15,839,261.83			72,895.30					15,912,157.13	
Shandong Blue Economic Industry Fund Management Co., Ltd.	5,400,000.00	8,239,393.18	1,400,000.00		2,066,436.27			-1,834,700.00		9,871,129.45	
Blue Economic Zone (Qingdao) Industrial Investment Fund Management Co., Ltd.	150,000.00	135,423.41			-82,738.98					52,684.43	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Shandong high - speed win - win equity investment management Limited	3,500,000.00	4,837,833.85			265,644.54					5,103,478.39	
Kaidi Corporation	800,000.00	800,000.00			-					800,000.00	800,000.00
Jiangxi Lugao Construction Project Management Co., Ltd.	98,247,930.00	97,059,876.43			-5,170,187.54					91,889,688.89	
Shandong High-speed Tonghui Fuzun Equity Investment Fund Management Co., Ltd.	8,000,000.00	7,907,136.54			-237,485.19					7,669,651.35	
Shandong High-speed Rongding Equity Investment Fund Management (Chengdu) Co., Ltd.	5,300,000.00	5,318,092.86			-41,014.96					5,277,077.90	
Shenzhen Qianhai Housheng Wealth Management Co., Ltd.	4,500,000.00		4,500,000.00		326,901.28					4,826,901.28	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Yantai Xinzheng Traffic Engineering Co., Ltd.	96,483,250.00		96,483,250.00		-762,216.24					95,723,033.76	
Qilu Traffic Maintenance Co., Ltd.	80,000,000.00		80,000,000.00		-969,239.54					79,030,760.46	
Shandong Expressway Sichuan Xinhuilong Stone Co., Ltd.	4,900,000.00		4,900,000.00		-308,419.68					4,591,580.32	
II. Associated enterprises	13,709,234,432.58	12,253,693,852.16	2,592,882,168.13	-27,274,471.12	450,222,398.57	333,338,097.10	-681,835.79	-41,560,269.51	-	17,130,785,941.89	24,293,880.84
Shandong Blue Economic Asset Management Co., Ltd.	45,000,000.00	53,953,367.31			1,403,629.66		-516,109.88			54,840,887.09	
Beijing Ocean Cornerstone Venture Investment Management Co., Ltd.	2,250,000.00	1,665,988.53			94,381.62					1,760,370.15	
Jinan Blue Leading Investment Co., Ltd.	258,400.00	252,700.70			36,280.34					288,981.04	
Shandong Blue Zhiku Investment Co., Ltd.	504,600.00	395,675.88			-14,858.19					380,817.69	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Shandong Henglan Capital Investment Management Co., Ltd.	2,396,000.00	2,404,588.74			3,935.91					2,408,524.65	
Shandong Zhongwang Yinxin Investment Management Co., Ltd.	4,714,200.00	3,715,448.08			-1,074,030.78		392,637.85			3,034,055.15	
Shandong Blue Economic Finance Guarantee Co., Ltd.	75,000,000.00	81,786,554.79			6,747,841.54		-558,363.76			87,976,032.57	
Shandong Yinghai Investment Co., Ltd.	2,000,000.00	2,182,063.42			286,935.13					2,468,998.55	
Jinan Yinghai equity investment fund management Co., Ltd.	2,000,000.00	1,942,512.03			318,706.60					2,261,218.63	
Shandong Haitai Driver Training Co., Ltd.	2,000,000.00	708,932.47		-708,932.47							
Shandong Ocean Tianshen Property Management Co., Ltd.	330,000.00	53,147.23			-53,147.23						

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Qingdao Zhenghai Offshore Drilling Management Co., Ltd.	245,000.00	243,276.71			-1,755.67					241,521.04	
Shandong Offshore Equipment Institute Co., Ltd.	1,000,000.00	973,479.04			22,647.04					996,126.08	
HYUNDAI FAREAST CO., LIMITED	19,147,750.00	16,056,649.77			1,192,222.05					17,248,871.82	
Qingdao Haifa Equity Investment Management Co., Ltd	300,000.00	661,011.74			213,313.77					874,325.51	
Shandong Ocean Development Co., Ltd	247,304,917.79	245,359,488.91			5,023,476.90	2,766,871.76				253,149,837.57	
Qingdao taste life business Limited	2,400,000.00	775,398.94							-775,398.94		
Shandong Offshore Investment(HK) Co.,LTD	23,585,800.00	25,870,796.90			1,187,452.28					27,058,249.18	
SHANDONG FLEET MANAGEMENT INC.	68,632.00		68,632.00							68,632.00	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Shandong Environmental Protection Industry Co., Ltd. ("Shandong Environmental Protection")	5,222,811.37	7,334,317.00			460,745.22					7,795,062.22	
Dongxing Securities Co., Ltd.	2,256,999,993.27	2,302,180,366.12			48,563,982.14	-2,403,082.48	-	-17,999,326.13		2,330,341,939.65	
Qingdao Changying Jimpeng equity investment partnership (limited partnership)	144,000,000.00	464,300,000.00	830,000,000.00		89,493,063.68					1,383,793,063.68	
Fujian Longma Sanitation Equipment Co., Ltd.	399,999,971.22	401,085,193.55			13,083,201.48			-3,909,996.03		410,258,399.00	
Shandong Railway Development Fund Co., Ltd.	5,000,000,000.00	5,000,907,038.15			118,496,073.23					5,119,403,111.38	
Shandong Jinse Agriculture Development Co., Ltd.	1,500,000.00	971,353.87			-655,446.23					315,907.64	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	
Shandong High-speed Road&Bridge International Engineering Co., Ltd.	16,500,000.00	16,521,709.45		-16,773,206.88	251,497.43					
Shandong Jizou Road Co., Ltd.	33,771,355.78	14,761,350.38			-5,302,346.03					9,459,004.35
Shandong High-speed Investment Fund Management Co., Ltd	9,800,000.00	17,516,223.01			264,730.87					17,780,953.88
Nanjing Maria Mongolian Culture Development Co., Ltd	1,860,000.00	1,860,000.00								1,860,000.00
Airport Synergy Investment Holding Co., Ltd	4,270,434.94	19,465,689.14			18,249,649.53					37,715,338.67
China Overseas Finance Leasing (Cayman) Limited	15,633,285.00	10,492,331.77		-9,792,331.77						700,000.00
Shandong High-speed Bohai (Tianjin) Equity Investment Fund Management Co., Ltd.	9,000,000.00	13,349,593.75			4,109,798.25			-1,955,829.24		15,503,562.76

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Shandong High-speed Beiyin (Shanghai) Equity Investment Fund Management Co., Ltd.	4,000,000.00	3,973,085.35			3,080,776.09					7,053,861.44	
Shandong High-speed Songxin (Tianjin) Investment Management Co., Ltd.	4,000,000.00	4,121,392.88			2,160,627.63			-55,118.11		6,226,902.40	
Shandong Express Airline Industry Investment Management (Shanghai) Co., Ltd.	4,000,000.00		4,000,000.00		-1,372,530.35					2,627,469.65	
Hubei Wudang Mountain Tourism Co., Ltd.	404,414,500.00	385,032,198.80			-19,174,970.60					365,857,228.20	
Qingdao Port High-speed Logistics (Linyi) Co., Ltd.	4,100,000.00	4,115,711.00			131,389.39					4,247,100.39	
Shandong High Speed Ovid Junshan Auto Supply Chain Management Co., Ltd.	9,600,000.00	9,610,317.58			-2,401,885.26					7,208,432.32	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Weifang Port Service Co., Ltd.	250,000,000.00	250,022,487.50			700.63					250,023,188.13	
Manyi Network Technology Co., Ltd.	15,600,000.00	8,656,235.19			-5,487,135.39					3,169,099.80	
Shandong Hi-Speed Xinye Urban Development Equity Investment Co., Ltd.	4,500,000.00	23,080,737.68			15,016,582.78			-17,640,000.00		20,457,320.46	
Inner Mongolia Luqiao Property Co., Ltd.	93,111,576.43	102,917,578.00			23,815,412.10					126,732,990.10	
China Innovative Finance Co., Ltd.	1,451,872,787.81	1,468,239,108.33			65,709,750.64	173,187,946.64			51,232,310.56	1,758,369,116.17	
Qingdao Qilu Construction Group Corporation	10,000,000.00	10,000,000.00								10,000,000.00	10,000,000.00
Qilu Construction Group Shandong Shengying Building Co., Ltd.	800,000.00	800,000.00								800,000.00	800,000.00
Qilu Construction Group Corporation Design Institute	500,000.00	500,000.00								500,000.00	500,000.00

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period						Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	Other
Qilu Construction Group Industrial Development Corporation	500,000.00	500,000.00								500,000.00
Han PRK Center	162,000.00	162,000.00								162,000.00
Xitan PRK Center	1,612,000.00	1,612,000.00								1,612,000.00
Shenyang PRK Center	1,982,156.28	1,982,156.28								1,982,156.28
Harbin PRK Center	1,737,724.56	1,737,724.56								1,737,724.56
China New Financial Group Co., Ltd.	1,253,865,000.00	1,259,884,871.63			60,931,142.46	160,313,249.31				74,129,031.70
Zhangqiu Leather Industry Co., Ltd.	4,000,000.00	4,000,000.00								4,000,000.00
Rundi Real Estate Company	2,000,000.00	2,000,000.00								2,000,000.00
Dezhou Green Agriculture High-tech Demonstration Park	1,000,000.00	1,000,000.00								1,000,000.00
Shandong Expressway Industry and Health Care Equity Investment Co., Ltd.	2,250,000.00		2,250,000.00		1,857.54					2,251,857.54

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	
Guoji Asset Management Co., Ltd.	2,509,878.00		2,509,878.00		-1,021,117.13					1,488,760.87
Qilu Expressway Co., Ltd.	221,720,975.13		221,720,975.13		10,818,247.74					232,539,222.87
SDHS DEVELOPMENT LIMITED	242,683.00		242,683.00							242,683.00
Shandong Expressway Jitai Mining Investment Co., Ltd.					-69,460.69					2,944,939.31
Jinan Liyuan Real Estate Co., Ltd.					-4,423,433.82				1,311,247,750.00	1,306,824,316.18
Shenzhen Zhongnan Fund Management Co., Ltd.	10,500,000.00		10,500,000.00		-930,272.80					9,569,727.20
Shandong Expressway Green Technology Development Co., Ltd.	1,600,000.00		1,600,000.00		31,480.18					1,631,480.18

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Weifang Shangao New and Old Kinetic Energy Conversion Investment Partnership (Limited Partnership)	1,500,000,000.00		1,500,000,000.00							1,500,000,000.00	
Shandong Expressway Light Control Industry Investment Fund Management Co., Ltd.	98,000,000.00				11,932,357.23	-526,888.13				131,317,909.03	142,723,378.13
Shandong Jixing Energy Co., Ltd.	19,990,000.00		19,990,000.00		-10,929,100.34						9,060,899.66

3. Summary of insignificant joint ventures and associated enterprises

Items	Ending amount	Beginning amount
Joint ventures:		
Total of book value of investment	364,746,168.36	252,049,451.78
Total amount of the following Items calculated according to shareholding proportion		
Net profits	3,148,708.80	22,885,449.10
Other comprehensive income		
Total comprehensive income	3,148,708.80	22,885,449.10
Associated enterprises:		
Total of book value of investment	17,130,785,941.89	12,229,399,971.32
Total amount of the following Items calculated according to shareholding proportion		
Net profits	450,291,030.57	222,905,034.73
Other comprehensive income	333,338,097.10	-7,571,843.45
Total comprehensive income	783,629,127.67	215,333,191.28

Note 18 Investment properties

1. Investment properties measured on the basis of cost

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Total original book value	2,045,268,763.24	1,193,867,791.49	721,642.29	3,238,414,912.44
1. Houses and buildings	2,014,142,884.24	1,193,867,791.49	721,642.29	3,207,289,033.44
2. Land use right	31,125,879.00			31,125,879.00
II. Total amount of accumulated depreciation/amortization	224,413,137.26	60,359,332.28	277,177.34	284,495,292.20
1. Houses and buildings	223,790,619.68	59,736,814.70	277,177.34	283,250,257.04
2. Land use right	622,517.58	622,517.58		1,245,035.16
III. Total net book value	1,820,855,625.98			2,953,919,620.24
1. Houses and buildings	1,790,352,264.56			2,924,038,776.40
2. Land use right	30,503,361.42			29,880,843.84
IV. Total provision for impairment	5,680,462.77			5,680,462.77
1. Houses and buildings	5,680,462.77			5,680,462.77
2. Land use right				
V. Total book value	1,815,175,163.21			2,948,239,157.47

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Houses and buildings	1,784,671,801.79			2,918,358,313.63
2. Land use right	30,503,361.42			29,880,843.84

Note 19 Fixed assets

Items	Closing balance	Opening balance
Fixed assets	84,939,506,011.09	42,045,674,304.77
Fixed assets pending for disposal	157,511.38	182,511.38
Total	84,939,663,522.47	42,045,856,816.15

(I) Fixed assets

1. Fixed assets

Items	Opening balance	Increase	Decrease	Closing balance
1. Total original book value	63,122,751,849.33	47,111,416,275.45	3,871,557,352.42	106,362,610,772.36
Including: Land assets	36,064,272,551.64	169,060,001.38	2,053,043,767.97	34,180,288,785.05
Houses and buildings	7,024,044,713.32	10,365,960,078.56	133,423,519.15	17,256,581,272.73
Machinery equipment	2,401,980,943.74	269,125,308.71	630,221,531.08	2,040,884,721.37
Transportation facilities	10,478,380,480.96	1,727,156,230.66	687,923,583.24	11,517,613,128.38
Electronic equipment	1,778,616,196.36	190,907,812.69	302,963,968.97	1,666,560,040.08
Office equipment	193,436,423.44	24,295,020.71	20,185,237.48	197,546,206.67
Hotel furniture	39,152,931.66	4,196,613.57	1,152,836.90	42,196,708.33
Railway assets		34,180,455,755.91		34,180,455,755.91
Others	5,142,867,608.21	180,259,453.26	42,642,907.63	5,280,484,153.84
2. Total accumulated depreciation	21,046,756,652.93	2,552,019,831.39	2,213,344,222.40	21,385,432,261.92
Including: Land assets	14,439,976,113.50	1,524,741,253.61	1,418,714,574.90	14,546,002,792.21
Houses and buildings	1,624,242,244.32	187,522,661.85	59,349,771.12	1,752,415,135.05
Machinery equipment	1,403,150,024.07	160,667,703.64	345,894,942.69	1,217,922,785.02
Transportation facilities	1,683,318,132.05	412,536,323.31	88,590,160.32	2,007,264,295.04
Electronic equipment	1,088,975,752.78	165,916,720.08	246,089,560.50	1,008,802,912.36
Office equipment	135,500,871.10	12,919,679.60	18,854,849.41	129,565,701.29
Hotel furniture	32,112,994.77	3,461,960.89	1,068,590.48	34,506,365.18
Railway assets				
Others	639,480,520.34	84,253,528.41	34,781,772.98	688,952,275.77
3. Total net book value	42,075,995,196.40			84,977,178,510.44

Items	Opening balance	Increase	Decrease	Closing balance
Including: Land assets	21,624,296,438.14			19,634,285,992.84
Houses and buildings	5,399,802,469.00			15,504,166,137.68
Machinery equipment	998,830,919.67			822,961,936.35
Transportation facilities	8,795,062,348.91			9,510,348,833.34
Electronic equipment	689,640,443.58			657,757,127.72
Office equipment	57,935,552.34			67,980,505.38
Hotel furniture	7,039,936.89			7,690,343.15
Railway assets				34,180,455,755.91
Others	4,503,387,087.87			4,591,531,878.07
4. Total provision for impairment	30,320,891.63	7,354,782.72	3,175.00	37,672,499.35
Including: Land assets	4,666,413.95	99,552.37		4,765,966.32
Houses and buildings	8,842,115.15	107,055.24		8,949,170.39
Machinery equipment	4,000,038.82	154,360.43		4,154,399.25
Transportation facilities	3,871,755.59	6,957,319.16	3,175.00	10,825,899.75
Electronic equipment	1,142,748.92	13,048.36		1,155,797.28
Office equipment	16,255.44	9,276.52		25,531.96
Hotel furniture	10,472.41			10,472.41
Railway assets				
Others	7,771,091.35	14,170.64		7,785,261.99
5. Total book value	42,045,674,304.77			84,939,506,011.09
Including: Land assets	21,619,630,024.19			19,629,520,026.52
Houses and buildings	5,390,960,353.85			15,495,216,967.29
Machinery equipment	994,830,880.85			818,807,537.10
Transportation facilities	8,791,190,593.32			9,499,522,933.59
Electronic equipment	688,497,694.66			656,601,330.44
Office equipment	57,919,296.90			67,954,973.42
Hotel furniture	7,029,464.48			7,679,870.74
Railway assets				34,180,455,755.91
Others	4,495,615,996.52			4,583,746,616.08

2. Temporarily idle fixed assets

Items	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Houses and buildings	556,250.00	237,796.99	318,453.01		
Machinery equipment	29,257,371.49	26,086,498.09	1,087,776.49	2,083,096.91	
Transportation facilities	5,908,138.03	5,830,346.57		77,791.46	
Electronic equipment	2,961,674.79	2,770,776.83	26,942.15	163,955.81	
Office equipment	5,577,450.31	5,291,515.52	4,801.29	281,133.50	
Other	26,364.00	25,045.80	1,318.20		
Total	44,287,248.62	40,241,979.80	1,439,291.14	2,605,977.68	

3. Fixed assets to which a certificate of title has not been obtained at the end of period

Items	Book value	Reasons why the certificate of title has not been obtained
Houses and buildings	54,830,690.26	In progress

(II) Fixed assets pending for disposal

Items	Book value at the end of period	Book value at the beginning of period	Reasons for transfer into liquidation
1. Machinery equipment	157,511.38	157,511.38	Disposal of assets
2. Others		25,000.00	Disposal of assets
Total	157,511.38	182,511.38	

Note 20 Construction in progress

Items	Closing balance	Opening balance
Construction in progress	52,227,447,739.22	72,766,091,860.81
Construction materials	2,631,376.93	1,233,969.55
Total	52,230,079,116.15	72,767,325,830.36

(I) Construction in progress

1. Details of construction in progress are as follows

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
The Jinan Qingdao high - speed railway construction	1,228,186,916.20		1,228,186,916.20	37,919,786,928.14		37,919,786,928.14

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Jiqing high – speed project: reconstruction and expansion project	15,431,008,331.30		15,431,008,331.30	7,681,087,365.54		7,681,087,365.54
Qufu to Linyi Section--High Speed Rail	16,939,459,258.87		16,939,459,258.87	5,900,134,292.58		5,900,134,292.58
Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section				5,008,260,773.82		5,008,260,773.82
Taidong highway	5,165,241,243.94		5,165,241,243.94	3,177,252,448.59		3,177,252,448.59
Penglai, West coast, Cultural tourism industry gathering area, Regional construction sea project	3,443,404,482.24		3,443,404,482.24	3,021,378,572.23		3,021,378,572.23
Cultural Center Hotel Project	2,682,134,743.33		2,682,134,743.33	2,533,624,728.46		2,533,624,728.46
Lonkou to Laixi project				1,910,810,966.72		1,910,810,966.72
Leshan to Zigong Expressway	1,803,022,113.26		1,803,022,113.26	1,508,040,658.02		1,508,040,658.02
Gaoguang Highway	1,569,523,150.85		1,569,523,150.85	895,619,331.02		895,619,331.02
Others	3,966,056,356.11	588,856.88	3,965,467,499.23	3,221,162,808.20	11,067,012.51	3,210,095,795.69
Total	52,228,036,596.10	588,856.88	52,227,447,739.22	72,777,158,873.32	11,067,012.51	72,766,091,860.81

2. Changes in significant construction in progress

Items name	Budget amount	Opening balance	Increase in current period	Transferred to fixed assets	Other deductions	Closing balance
1. Jiqing high – speed railway construction	63,200,000,000.00	37,919,786,928.14	14,854,430,000.38	50,740,764,072.43	805,265,939.89	1,228,186,916.20
2. Jiqing high – speed project: reconstruction and extension	30,000,000,000.00	7,681,087,365.54	7,749,920,965.76			15,431,008,331.30
3. Qufu to Linyi Section--High Speed Rail	59,396,000,000.00	5,900,134,292.58	11,039,324,966.29			16,939,459,258.87
4. Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section	11,366,949,043.00	5,008,260,773.82	2,614,671,344.76		7,622,932,118.58	
5. Taidong highway	8,774,000,000.00	3,177,252,448.59	1,987,988,795.35			5,165,241,243.94
6. Penglai west coast, cultural tourism industry gathering area, regional construction project	6,379,000,000.00	3,021,378,572.23	422,025,910.01			3,443,404,482.24
7. Cultural center hotel project	3,645,000,000.00	2,533,624,728.46	148,510,014.87			2,682,134,743.33
8. Longkou to Laixi project	4,742,981,807.00	1,910,810,966.72	1,210,940,959.74		3,121,751,926.46	
9. Leshan to Zigong Expressway	8,743,618,184.00	1,508,040,658.02	306,974,770.67		11,993,315.43	1,803,022,113.26

Items name	Budget amount	Opening balance	Increase in current period	Transferred to fixed assets	Other deductions	Closing balance
10. Gaoguang Highway	4,592,135,865.00	895,619,331.02	673,903,819.83			1,569,523,150.85
Total	200,839,684,899.00	69,555,996,065.12	41,008,691,547.66	50,740,764,072.43	11,561,943,300.36	48,261,980,239.99

Continued:

Items name	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: Amount of interest capitalized in current period	Rate of interest capitalized in current period (%)	Source of funds
1. Jiqing high – speed railway construction	83.50	83.50	504,011,740.39	504,011,740.39	4.165	Self-raised and Borrowing
2. Jiqing high – speed project: reconstruction and extension	83.50	83.50	387,353,224.95	337,481,380.76	4.25	Self-raised and Borrowing
3. Qufu to Linyi Section--High Speed Rail	51.44	51.44	175,428,027.92	175,428,027.92	4.90	Self-raised and Borrowing
4. Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section	28.52	28.52	200,352,142.25	93,630,483.98	4.41	Self-raised and Borrowing
5. Taidong highway	67.06	67.06	171,743,019.81	129,415,214.22	4.41	Self-raised and Borrowing
6. Penglai west coast, cultural tourism industry gathering area, regional construction project	58.87	58.87	499,501,889.31	136,837,412.18	4.41	Self-raised and Borrowing
7. Cultural center hotel project	53.98	53.98	318,916,008.09			Borrowing
8. Longkou to Laixi project	73.58	73.58	51,022,749.61	30,548,911.92	4.41	Self-raised and Borrowing
9. Leshan to Zigong Expressway	65.82	65.82	702,195,416.67	76,174,691.87	4.90	Self-raised and Borrowing
10. Gaoguang Highway	20.76	20.76	83,193,490.02	51,041,669.73	4.35	Other borrowing
Total			3,093,717,709.02	1,534,569,532.97		

(II) Construction materials

Items	Closing balance	Opening balance
Materials for construction	2,631,376.93	1,233,969.55
Total	2,631,376.93	1,233,969.55

Note 21 Productive biological assets

1. Productive biological assets measured on the basis of cost

Category	Book value at the beginning of year	Increase in current period	Decrease in current period	Book value at the end of year
1. Crop and plant cultivation	402,398.30	317,268.38	29,157.48	690,509.20
Including: Honeysuckle	261,157.65		29,157.48	232,000.17

Category	Book value at the beginning of year	Increase in current period	Decrease in current period	Book value at the end of year
Immature biological assets - fruit trees	141,240.65	317,268.38		458,509.03
2. Livestock cultivation	28,425,212.97	15,125,741.05	12,312,587.09	31,238,366.93
Including: Mature biological assets	12,905,508.99	5,653,633.03	5,931,533.59	12,627,608.43
Immature biological assets	15,519,703.98	9,472,108.02	6,381,053.50	18,610,758.50
Total	28,827,611.27	15,443,009.43	12,341,744.57	31,928,876.13

2. The Company's productive biological assets mainly from the subsidiary of Shandong high-speed bio-engineering Co., Ltd., the supplementary disclosure information is as follows::

(1) Crop and plant cultivation

1) As for the crop and plant cultivation, the productive biological asset- honeysuckle is planted in June, 2011, which expected to have a life expectancy of 15 years and the estimated net residual rate is 3.00%. As of December 31, 2018, the original value of the honeysuckle was RMB 443,956.99 and the accumulated depreciation was RMB 211,956.82 and the net value was RMB 232,000.17.

2) As for the crop and plant cultivation, the immature biological assets - fruit trees are fruit seedlings planted in May, 2013. The details are as follows:

Name	Quantity	Amount	Remark
Apple	500.00	59,744.04	
Cherry	1,785.00	276,175.80	
Pear	1,600.00	35,516.06	
Grape	1,500.00	39,058.72	
Peach	200.00	13,437.21	
Jujube	400.00	34,577.20	
Total	5,985.00	458,509.03	

(2) Animal husbandry: Productive biological assets are measured by cost method and depreciated by straight line method, Animal husbandry industry is all self-produced dairy cattle. The dairy cattle are expected to have a life expectancy of 5 years and the estimated net residual rate is 5.00%. As of December 31, 2018, the company has 861 mature dairy cattle, 831 immature cows. The original value of the productive biological assets was RMB 37,541,444.17 and the accumulated depreciation was RMB 6,303,077.24 and the net value was RMB 31,238,366.93.

Note 22 Intangible assets

Items	Opening balance	Increase	Decrease	Closing balance
I. Total original value	82,063,640,478.64	20,971,034,707.52	331,024,408.53	102,703,650,777.63
Including: Software	274,122,022.88	38,182,890.83	18,885,803.14	293,419,110.57
Land use right	19,419,291,237.37	7,049,999,057.14	56,093,962.66	26,413,196,331.85
Patent right	12,406,308.56			12,406,308.56
Non-patented technology	19,195,214.50	43,760.68		19,238,975.18
Copyright	46,986,096.91			46,986,096.91
Chartered right	61,854,383,899.34	13,303,483,802.69	65,990,142.73	75,091,877,559.30
Others	437,255,699.08	579,325,196.18	190,054,500.00	826,526,395.26
II. Total amount of accumulated amortization	14,744,096,711.46	2,591,139,979.44	65,596,842.76	17,269,639,848.14
Including: Software	151,543,032.22	39,093,356.32	6,844,163.81	183,792,224.73
Land use right	3,335,186,873.47	459,065,320.93	44,092,911.00	3,750,159,283.40
Patent right	6,070,048.71	1,516,371.08		7,586,419.79
Non-patented technology		33,965.92		33,965.92
Copyright	18,406,316.48	4,700,430.84		23,106,747.32
Chartered right	11,197,968,001.78	1,986,928,567.97	14,659,767.95	13,170,236,801.80
Others	34,922,438.80	99,801,966.38		134,724,405.18
III. Total amount of provision for impairment	122,697,669.03	19,195,214.50	122,689,296.74	19,203,586.79
Including: Software	8,372.29			8,372.29
Land use right				
Patent right				
Non-patented technology		19,195,214.50		19,195,214.50
Copyright				
Chartered right				
Others	122,689,296.74		122,689,296.74	
IV. Total book value	67,196,846,098.15			85,414,807,342.70
Including: Software	122,570,618.37			109,618,513.55
Land use right	16,084,104,363.90			22,663,037,048.45
Patent right	6,336,259.85			4,819,888.77
Non-patented technology	19,195,214.50			9,794.76
Copyright	28,579,780.43			23,879,349.59

Items	Opening balance	Increase	Decrease	Closing balance
Chartered right	50,656,415,897.56			61,921,640,757.50
Others	279,643,963.54			691,801,990.08

Note: The book value of the land use rights to which the property certificate has not been obtained at the end of period is RMB7,503,903,309.46.

Note 23 Development expenditure

Items	Opening balance	Increase		Decrease			Closing balance
		Internal R & D expenditure	Other	Recognized as intangible assets	Transferred to the current profits and losses	Other	
Total expensed disbursements	1,572,241.03	140,804,800.16			140,628,076.02		1,748,965.17
GS1000 multi-purpose asphalt pavement regeneration train		11,090,460.79			11,090,460.79		
Traffic engineering construction, enterprise project cost management and enterprise quota system based on Internet	1,572,241.03	176,724.14					1,748,965.17
Research on key technology of multi-span variable cross-section concrete continuous beam construction in wandering wide and shallow river		21,677,812.66			21,677,812.66		
Application research on construction technology of pile foundation of karst cave in karst area based on whole process risk control		29,257,258.16			29,257,258.16		
development and application of A-class mobile steel guardrail		7,979,652.92			7,979,652.92		

Items	Opening balance	Increase		Decrease			Closing balance
		Internal R & D expenditure	Other	Recognized as intangible assets	Transferred to the current profits and losses	Other	
Research on high-density Electrical method slope sliding exploration and real-time monitoring application technology		10,096,918.68			10,096,918.68		
Research on highway construction site optimization and automatic former warning technology based on intrinsic safety		11,072,487.28			11,072,487.28		
Installation and construction technology of steel-mixed composite beam of main bridge of Qinglan Pingyin yellow river bridge		7,052,690.62			7,052,690.62		
Others		42,400,794.91			42,400,794.91		
Total capitalized expenditure	4,521,446.07	4,687,981.73	3,938,319.49			4,306,225.21	8,841,522.08
Internet aggregation payment platform	4,381,446.07	4,687,981.73				4,306,225.21	4,763,202.59
System network	140,000.00						140,000.00
Information system infrastructure construction project			3,938,319.49				3,938,319.49
Total	6,093,687.10	145,492,781.89	3,938,319.49		140,628,076.02	4,306,225.21	10,590,487.25

Note 24 Goodwill

1. Book value of goodwill

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Laizhou City Beilai Highway Investment Co., Ltd.	72,080,000.00			72,080,000.00
Qingdao Jiaye Asset Management Co., Ltd	175,848,211.46			175,848,211.46
Shandong high speed Henan Xubo Highway Co., Ltd.	104,000,000.00			104,000,000.00

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Shandong high - speed Qingchuan natural asphalt development Co., Ltd.	19,859,115.00			19,859,115.00
Zhangqiu Shijiulang Stone Co., Ltd.	2,259,447.92			2,259,447.92
Shandong Shipping Development Co., Ltd	44,494,025.14			44,494,025.14
Shandong Shuangli Electronic Engineering Co., Ltd.	27,101,921.56			27,101,921.56
Xilinhote Ludi Mining Co., Ltd				
Henan Zhongzhou Railway Co., Ltd.	5,200,426.14		5,200,426.14	
Shandong high - speed letter of the payment Co., Ltd	5,645,277.90			5,645,277.90
Yunnan Suomeng high - speed Co., Ltd.	52,800,530.06			52,800,530.06
Shandong high - speed basketball club Co., Ltd				
Hubei Wujing Freeway Development Co., Ltd	365,812,202.91			365,812,202.91
Baoxing Guosheng Mining Co., Ltd	7,796,358.27			7,796,358.27
Kunming New Airport Expressway Construction and Development Co., Ltd	197,553,512.63	3,008,473.00		200,561,985.63
Jincheng Real Estate Company		38,624,617.00		38,624,617.00
Sai Yue Asset Management (Shanghai) Co., Ltd.		447,410.04		447,410.04
Total	1,080,451,028.99	42,080,500.04	5,200,426.14	1,117,331,102.89

2. Impairment of goodwill

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Xilinhote Ludi Mining Co., Ltd	31,417,703.00		31,417,703.00	
Shandong High - Speed Basketball Club Co., Ltd.	160,478.69			160,478.69
Total	31,578,181.69		31,417,703.00	160,478.69

Note 25 Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortization for the period	Other reductions	Closing balance	Reasons for other reductions
Lezi Road	26,783,333.34		26,783,333.34			
Suomeng high speed	4,368,389.80		4,368,389.80			
Renovation costs	15,490,821.56	15,597,437.16	9,505,399.71	886,703.45	20,696,155.56	exchange rate changes

Items	Opening balance	Increase in the period	Amortization for the period	Other reductions	Closing balance	Reasons for other reductions
Rental fees	61,027,497.28	110,319,287.90	57,221,080.11	27,672.95	114,098,032.12	rearrange
Maintenance fees	39,784,799.06	35,812,175.37	34,711,711.99		40,885,262.44	
Improvements on leased assets	117,632,911.94	17,166,464.72	22,016,960.03		112,782,416.63	
Service charge fees	41,237,003.44	28,819,310.51	28,785,852.68	9,060,477.95	32,209,983.32	exchange rate changes
Jiaozhou Bay Expressway Project	291,982,900.12	259,150.00	48,134,168.44		244,107,881.68	
Chicken Stone Building Repair costs	165,751,706.62		26,269,336.47		139,482,370.15	
Temporary facilities	67,921,456.23	43,939,131.27	23,888,964.70	12,840,000.00	75,131,622.80	rearrange
Guosheng mine road	25,723,050.18		38,311.70		25,684,738.48	
Insurance premium		19,098,242.60			19,098,242.60	
Beautiful Qingdao project		35,969,355.21	7,193,871.04		28,775,484.17	
Huangdao greening project of Huangdao District Transportation Bureau, Qingdao		13,000,000.00	2,600,000.00		10,400,000.00	
Others	92,369,571.28	50,766,840.02	30,168,609.29	16,907,593.19	96,060,208.82	rearrange, etc.
Total	950,073,440.85	370,747,394.76	321,685,989.30	39,722,447.54	959,412,398.77	

Note 26 Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities are not presented with the net amount after offset

Items	Closing balance		Opening balance	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
I. Deferred tax assets	2,860,061,750.13	11,462,092,615.42	1,943,528,098.00	7,774,112,391.95
Provision for asset impairment	900,910,624.74	3,625,347,884.01	534,298,748.05	2,137,194,992.20
Deductible losses	113,009,376.63	452,037,506.52	29,593,503.70	118,374,014.80
Payroll payable	194,256,569.74	777,166,508.82	142,917,491.98	571,669,967.88
Estimated gross profits of real estate enterprises	2,835,167.77	11,340,671.08	3,996,548.90	15,986,195.59
Depreciation and amortization of long-term assets	6,225,189.64	24,900,758.56	33,328,194.26	133,312,777.04
Internally unrealized profits	1,189,473,111.21	4,757,892,444.84	1,014,671,924.84	4,058,687,699.36
Others	453,351,710.40	1,813,406,841.59	184,721,686.27	738,886,745.08
II. Deferred tax liabilities	1,248,576,391.31	4,994,305,565.20	943,432,226.60	3,773,728,906.43

Items	Closing balance		Opening balance	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
Appraised value of transactional financial instruments and derivative financial derivative financial assets	3,673,981.32	14,695,925.26	3,935,001.82	15,740,007.30
Change of fair value of available-for-sale financial assets included into other comprehensive income	29,254,448.50	117,017,794.00	195,302.65	781,210.61
Difference between accounting depreciation period and depreciation period stipulated in tax law	214,713,899.66	858,855,598.64	171,375,648.51	685,502,594.04
Asset evaluation increment	959,438,112.41	3,837,752,449.62	746,461,522.25	2,985,846,089.00
Structured subject interest	41,495,949.42	165,983,797.68	19,007,043.68	76,028,174.72
Others			2,457,707.69	9,830,830.76

2. Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	1,553,980,189.63	2,273,390,590.73
Deductible losses	4,790,391,863.73	6,100,617,133.88
Total	6,344,372,053.36	8,374,007,724.61

3. The deductible loss of unrecognized deferred tax assets will expire in the following years.

Year	Closing balance	Opening balance	Remark
2019	802,600,715.73	1,518,980,600.89	
2020	966,540,375.62	1,325,570,425.79	
2021	882,904,667.38	1,155,372,691.60	
2022	759,184,029.35	1,018,823,627.11	
2023	1,379,162,075.65		
Total	4,790,391,863.73	5,018,747,345.39	

Note 27 Other non-current assets

Items	Closing balance	Opening balance
Debt assets	95,346,746.60	115,983,126.00
Circulation right for equity trading	254,160,771.26	254,160,771.26
Fixed-term deposit	70,884,400.00	72,216,280.00

Items	Closing balance	Opening balance
Guarantee deposits for refundable capital	406,000,000.00	406,000,000.00
Receivables investment due after one year	24,384,344,319.88	19,147,483,183.33
Unrealized gains and losses on leaseback	492,601,403.55	361,651,497.87
Prepayments of long-term assets	2,595,563,635.85	2,001,085,507.40
Entrusted loans and lending	1,674,517,965.86	1,263,471,571.80
Advance payment	331,049,824.00	160,000,000.00
Others	64,731,069.20	13,432,639.80
Total	30,369,200,136.20	23,795,484,577.46

Note 28 Short-term borrowing

1. Short-term loan classification

Items	Closing balance	Opening balance
Pledged borrowing	958,235,388.83	406,382,431.41
Mortgage borrowing		120,000,000.00
Guaranteed borrowing	2,723,544,155.21	1,592,162,125.58
Borrowing on credit	6,019,424,339.09	8,872,586,360.82
Total	9,701,203,883.13	10,991,130,917.81

Note 29 Borrowing from the Central Bank

Items	Closing balance	Opening balance
Deposit in central bank	3,646,927,706.50	3,166,428,312.50
Including: Re-loaned amount	3,400,000,000.00	3,000,000,000.00
Re-discounted amount	246,927,706.50	166,428,312.50
Total	3,646,927,706.50	3,166,428,312.50

The balance of re-loaned amount by Weihai City Commercial Bank in 2018 totaled RMB3.4 billion. The details are as follows:

Items	Amount (RMB'0000)	Borrowing date	Annual interest rate	Expiry date	Remark
Re-lending for micro and small enterprises	50,000.00	2018-5-31	3.15%	2019-5-29	Pledged with assets valued at CNY530million

Items	Amount (RMB'0000)	Borrowing date	Annual interest rate	Expiry date	Remark
Re-lending for micro and small enterprises	50,000.00	2018-7-20	2.65%	2019-7-18	Pledged with assets valued at CNY531million
Re-lending for micro and small enterprises	50,000.00	2018-9-17	2.75%	2019-9-11	Pledged with assets valued at CNY552million
Re-lending for micro and small enterprises	60,000.00	2018-11-21	2.75%	2019-11-20	Pledged with assets valued at CNY650million
Standing Lending Facility	100,000.00	2018-12-27	3.55%	2019-1-3	Pledged with assets valued at CNY1.064billion
Re-lending at suit time	30,000.00	2018-12-24	2.75%	2020-11-3	Pledged with assets valued at CNY300million
Total	340,000.00				

Note 30 Deposits from customers and interbank

Items	Closing balance	Opening balance
Deposits from customers		
Current deposit		
1. Corporate customer	30,648,694,661.66	38,215,734,203.65
2. Individual customer	7,041,183,872.09	6,081,600,116.34
Sub-total	37,689,878,533.75	44,297,334,319.99
Fixed deposits (including term deposits)		
1. Corporate customer	15,647,630,800.88	25,248,148,436.66
2. Individual customer	37,642,449,275.82	32,790,807,411.38
Sub-total	53,290,080,076.70	58,038,955,848.04
Other deposits (including outward remittance, drafts and telegraphic transfers payable, etc.)	10,981,174,216.78	13,835,992,397.03
Deposits from interbank	7,929,433,687.82	
Deposit in domestic inter banks and other financial institutions	7,373,220,406.62	2,632,978,072.75
Total	117,263,786,921.67	118,805,260,637.81

Note 31 Loan from other banks and other financial institutions

Items	Closing balance	Opening balance
Loan from domestic banks and other financial institutions	10,351,070,000.00	6,686,000,000.00
Total	10,351,070,000.00	6,686,000,000.00

Note 32 Notes payable and Accounts payable

Items	Closing balance	Opening balance
Notes payable	2,726,184,299.30	1,361,350,355.48
Accounts payable	19,613,587,379.02	15,094,552,566.94
Total	22,339,771,678.32	16,455,902,922.42

(I) Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bill	384,454,054.21	221,286,248.20
Bank acceptance bill	2,341,730,245.09	1,140,064,107.28
Total	2,726,184,299.30	1,361,350,355.48

(II) Accounts payable

Age	Closing balance	Opening balance
Within 1 year (including 1 year)	14,972,994,203.30	11,525,659,083.83
1 to 2 years (including 2 years)	3,371,335,813.41	2,160,743,594.34
2 to 3 years (including 3 years)	604,534,400.28	512,973,222.95
Over 3 years	664,722,962.03	895,176,665.82
Total	19,613,587,379.02	15,094,552,566.94

The important accounts payable aged over 1 year:

Name of creditor entity	Closing balance	Reason for no repayment
China Construction Eighth Engineering Division Co., Ltd	101,437,772.04	Not settled
Yantai Railway Construction Administration	97,562,800.00	Not settled
CRRC Beijing 27 Locomotive Co., Ltd	82,108,063.75	Not settled
Shandong Road and Bridge Construction Co., Ltd. Roadbed Division	65,001,113.27	Not settled
The Second Construction Limited Company Of China Construction Eighth Engineering Division	49,508,853.68	Not settled
China Railway Baoqiao Group Co., Ltd.	43,395,943.00	Not settled
Shandong Yuqing Construction Labor Service Co., Ltd.	36,953,314.90	Not settled
Qingdao Taihua Group Co., Ltd.	32,831,296.75	Not settled
Weifang City Local Railway Administration	32,214,148.00	Not settled

Name of creditor entity	Closing balance	Reason for no repayment
The First Construction Limited Company Of China Construction Eighth Engineering Division	31,799,399.12	Not settled
Jiangsu Construction Engineering Labor Service Co., Ltd.	30,940,232.72	Not settled
China Railway Fourth Bureau Group Co., Ltd.	30,319,125.87	Not settled
Jiangsu Dongzhu Landscape Co., Ltd.	25,438,034.37	Not settled
Zaozhuang Daoqiao Engineering Co., Ltd.	22,150,622.28	Not settled
Shandong Huadong Construction Engineering Co., Ltd.	21,136,890.28	Not settled
Shandong Shengrun Construction Group Co., Ltd.	20,682,116.46	Not settled
Jiangsu Nantong Sanjian Group Co., Ltd.	19,925,981.99	Not settled
Heze Development Zone Yuecheng Zhenghao Labor Service Co., Ltd.	19,601,752.29	Not settled
Qingdao Zhanpeng Construction Co., Ltd.	18,317,039.78	Not settled
Jinan Juda Construction Labor Service Co., Ltd.	17,450,558.37	Not settled
Jinan Jianqiang Trading Co., Ltd.	14,643,976.60	Not settled
Ziguang Jietong Technology Co., Ltd.	13,283,694.23	Not settled
Shandong Luqiao Construction Co., Ltd. Luqiao First Division	11,334,389.64	Not settled
Sichuan Road and Bridge Construction Co., Ltd.	10,377,305.25	Not settled
Lijia Industry (Fujian) Group Co., Ltd.	10,000,000.01	Not settled
Total	858,414,424.65	

Note 33 Advances received

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	5,852,905,943.54	3,811,739,135.99
Over 1 year	1,531,825,765.46	1,246,223,585.96
Total	7,384,731,709.00	5,057,962,721.95

Large-amount Advances received with an age of over one year:

Name of creditor entity	Closing balance	Reason for no carrying-down
Pre-acquisition	683,041,302.68	Not settled
Shandong Energy International Logistics Co., Ltd	249,600,000.00	Security deposit

Name of creditor entity	Closing balance	Reason for no carrying-down
Shandong convergence Coal Industry Co., Ltd	93,759,332.40	Not settled
Sichuan Chengle Expressway Co., Ltd.	58,885,821.55	Not settled
Shandong Haihua Group Co., Ltd.	40,000,000.00	Not settled
China Mobile Communications Group Shandong Co., Ltd.	26,691,661.13	Not settled
Ningxia Highway Construction Administration	17,864,779.00	Not settled
People's Republic of China Ministry of Commerce	15,713,097.29	Not settled
Jiangsu Tongye Industrial Co., Ltd.	15,000,000.00	Not settled
Algeria National Highway and Industrial and Commercial Public Facilities Administration	14,453,478.93	Not settled
China Petroleum and Natural Gas Co., Ltd. Yunnan sales branch	14,375,833.33	Not settled
Shandong Lanqiao Port Co., Ltd.	12,941,037.69	Not settled
Total	1,242,326,344.00	

Note 34 Financial assets sold for repurchase

Items	Closing balance	Opening balance
Bonds	4,432,410,000.00	22,020,150,000.00
Notes	1,325,244,109.00	
Total	5,757,654,109.00	22,020,150,000.00

Note 35 Employee benefits payable

1. Presentation of employee benefits payable

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term compensation	742,611,851.98	5,004,838,734.42	4,929,397,094.23	818,053,492.17
II. Post-employment welfare-defined contribution plan	5,438,200.63	535,113,937.82	527,014,150.19	13,537,988.26
III. Dismissal welfare	123,855,935.40	17,535,502.61	11,160,685.84	130,230,752.17
IV. Other welfare due within one year				
V. Others				
Total	871,905,988.01	5,557,488,174.85	5,467,571,930.26	961,822,232.60

2. Presentation of short-term compensation

Items	Opening balance	Increase	Decrease	Closing balance
I. Wages, bonuses, allowances and grant	616,289,532.15	4,064,915,150.13	4,021,072,815.62	660,131,866.66
II. Welfare benefits payable	7,274,055.10	235,315,695.58	236,479,760.32	6,109,990.36
III. Social insurance premiums	25,029,536.56	288,545,626.96	287,620,483.81	25,954,679.71
Including: Medical insurance premiums	6,440,734.28	166,793,876.30	166,904,314.78	6,330,295.80
Industrial injury insurance premiums	71,265.10	10,500,204.75	10,523,636.85	47,833.00
Birth insurance premiums	72,851.71	17,105,755.20	17,109,304.23	69,302.68
Others	18,444,685.47	94,145,790.71	93,083,227.95	19,507,248.23
VI. Housing fund	2,868,055.38	254,389,694.39	250,274,177.86	6,983,571.91
V. Labor union funds and staff education expenses	91,112,560.63	80,498,957.57	53,063,219.82	118,548,298.38
VI. Short-term compensated absences				
VII. Short-term profit sharing plan				
VIII. Other short-term compensation	38,112.16	81,173,609.79	80,886,636.80	325,085.15
Total	742,611,851.98	5,004,838,734.42	4,929,397,094.23	818,053,492.17

3. Presentation of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
I. Basic endowment insurance	2,040,426.32	350,921,089.05	351,183,214.83	1,778,300.54
II. Unemployment insurance premiums	1,831,277.94	36,237,685.88	36,181,325.45	1,887,638.37
III. Payment of enterprise annuity	1,566,496.37	147,955,162.89	139,649,609.91	9,872,049.35
Total	5,438,200.63	535,113,937.82	527,014,150.19	13,537,988.26

Note 36 Taxes and surcharges payable

Items	Opening balance	Tax payable	Tax paid	Closing balance
VAT	210,386,113.94	1,699,734,094.21	1,466,165,281.16	443,954,926.99
Consumption tax		85,085,815.30	85,085,815.30	
Resource tax	25,943.41	1,565,217.52	754,197.57	836,963.36
Enterprise income tax	1,186,296,935.05	2,114,334,275.23	2,270,341,333.13	1,030,289,877.15
Urban maintenance and construction tax	14,026,841.30	106,124,406.41	98,927,079.24	21,224,168.47
House property tax	14,255,388.37	39,511,499.46	39,576,304.23	14,190,583.60

Items	Opening balance	Tax payable	Tax paid	Closing balance
Land-use tax	10,068,823.95	63,608,665.86	60,669,223.12	13,008,266.69
Land value - added tax	4,370,822.00	137,437,484.07	104,590,809.50	37,217,496.57
Individual income tax	37,138,743.99	286,216,323.89	279,554,013.78	43,801,054.10
Educational surtax	10,049,611.71	75,367,065.23	72,109,227.54	13,307,449.40
Vehicle usage tax		558,521.72	550,766.96	7,754.76
Other taxes	133,531,415.05	199,004,966.79	331,887,409.53	648,972.31
Total	1,620,150,638.77	4,808,548,335.69	4,810,211,461.06	1,618,487,513.40

Note 37 Other payables

Items	Closing balance	Opening balance
Interest payable	3,717,395,275.92	3,646,043,877.28
Dividends payable	634,661,463.44	354,992,050.81
Other payables	20,292,616,733.55	15,495,061,908.55
Total	24,644,673,472.91	19,496,097,836.64

(I) Interest payable

Items	Closing balance	Opening balance
Interest on long-term borrowings which is paid in installments with principal repaid at maturity date	496,236,535.91	498,637,810.15
Interest on enterprise bonds	1,255,262,154.67	1,134,894,174.65
Interest payable on short-term borrowings	170,010,499.11	100,542,349.55
Other interests	1,795,886,086.23	1,911,969,542.93
Including: Interest on deposit payable to customers	1,697,737,760.20	1,860,255,718.10
Inter-bank interest payable	58,312,211.54	4,645,883.34
Interest payable on sold bond for repurchase	4,898,936.77	22,195,982.11
Borrowing from central bank	1,443,750.00	2,645,138.88
Other interests	33,493,427.72	22,226,820.50
Total	3,717,395,275.92	3,646,043,877.28

(II) Dividends payable

Name of entity	Closing balance	Opening balance
Common stock dividends	85,765,630.05	29,367,050.65
Dividends on preferred shares designated as equity instruments / perpetual debts	548,895,833.39	325,625,000.16
Total	634,661,463.44	354,992,050.81

(III) Other payables

1. Other payables presented according to their nature

Items	Closing balance	Opening balance
Current account	7,650,685,891.82	7,124,049,168.60
Project payments	364,048,445.34	552,061,792.81
Margin and deposit	1,087,257,862.43	715,014,504.34
Collection of money	7,542,112,309.03	1,114,293,425.51
Borrowings from non-financial institutions	399,415,633.98	606,234,000.00
Accrued expenses	5,179,255.11	10,724,983.88
Payment payable for share acquisition	1,969,059,617.12	1,749,279,483.59
Payables on precious metals		1,416,950,000.00
Others	1,274,857,718.72	2,206,454,549.82
Total	20,292,616,733.55	15,495,061,908.55

2. Significant other payables aged over 1 year

Name of creditor entity	Closing balance	Reason for no repayment
SDOE INTERNATIONAL FINANCE I COMPANY LIMITED	140,696,180.63	Not settled
Shandong Transportation Department	97,143,873.09	Not settled
Shandong Culture Department	39,203,200.00	Not settled
Honghe Prefecture Government.	64,245,242.79	Not settled
Shanghai Zhida Technology Group Co., Ltd	31,500,000.00	Not settled
Linyi County Xinhe State-owned Assets Management Co., Ltd.	30,000,000.00	Not settled
Longkou Port Group Co., Ltd.	24,621,590.40	Not settled
China Haoyuan Group Co., Ltd.	20,000,000.00	Not settled
Shandong Zhongyang Real Estate Development Group Co., Ltd.	16,775,152.99	Not settled
Rizhao Port Group Co., Ltd.	14,297,630.60	Not settled
China Sanye Group Co., Ltd.	14,000,000.00	Security deposit
China Construction Sixth Bureau Third Construction Engineering Co., Ltd.	12,000,000.00	Security deposit
Tai'an Taiyue Tourism Technology Co., Ltd.	10,000,000.00	Security deposit
Anhui Shui'an Construction Group Co., Ltd.	10,000,000.00	Security deposit
Total	524,482,870.50	

Note 38 Reinsurance payable

Age	Closing balance	Opening balance
Within 1 year (including 1 year)	129,858,304.03	120,734,050.81
Over 1 year	1,521,043.84	1,528,351.81
Total	131,379,347.87	122,262,402.62

Note 39 Provision for insurance contracts

1. Increase and decrease of provision for insurance contracts

Items	Opening balance	Increase	Decrease			Closing balance
			Compensation	Other	Total	
Unearned premium reserves						
Original insurance contracts	786,332,612.85	1,712,531,395.57		1,647,235,419.74	1,647,235,419.74	851,628,588.68
Reinsurance contracts	8,470,310.80	26,956,113.74		25,521,510.34	25,521,510.34	9,904,914.20
Subtotal	794,802,923.65	1,739,487,509.31		1,672,756,930.08	1,672,756,930.08	861,533,502.88
Outstanding loss reserves						
Original insurance contracts	734,584,870.16	1,020,550,233.48	972,349,596.12		972,349,596.12	782,785,507.52
Reinsurance contracts	12,913,305.15	90,070,211.68	91,014,831.93		91,014,831.93	11,968,684.90
Subtotal	747,498,175.31	1,110,620,445.16	1,063,364,428.05		1,063,364,428.05	794,754,192.42
Total	1,542,301,098.96	2,850,107,954.47	1,063,364,428.05	1,672,756,930.08	2,736,121,358.13	1,656,287,695.30

2. Unexpired term of provision for insurance contracts

Items	Closing balance		Opening balance	
	Less than 1 year (including 1 year)	Over 1 year	Less than 1 year (including 1 year)	Over 1 year
Unearned premium reserves	821,588,962.34	39,944,540.54	792,866,614.86	1,936,308.79
Original insurance contracts	812,143,284.19	39,485,304.49	784,416,939.54	1,915,673.31
Reinsurance contracts	9,445,678.15	459,236.05	8,449,675.32	20,635.48
Outstanding loss reserves	564,126,250.93	230,627,941.49	529,838,448.22	217,659,727.09
Original insurance contracts	555,630,731.93	227,154,775.59	520,685,294.69	213,899,575.47
Reinsurance contracts	8,495,519.00	3,473,165.90	9,153,153.53	3,760,151.62

Items	Closing balance		Opening balance	
	Less than 1 year (including 1 year)	Over 1 year	Less than 1 year (including 1 year)	Over 1 year
Total	1,385,715,213.27	270,572,482.03	1,322,705,063.08	219,596,035.88

3. The original insurance contract outstanding claims reserve

Items	Closing balance	Opening balance
Reported outstanding claims reserve	365,298,479.31	311,751,624.40
Unreported outstanding claims reserve	330,310,456.64	338,102,396.80
Claims expense reserve	87,176,571.57	84,730,848.96
Total	782,785,507.52	734,584,870.16

Note 40 Premium provision

Items	Opening balance	Increase	Decrease	Closing balance
Plant Insurance	21,674,896.77	6,580,500.78	28,255,397.55	
Breeding insurance	551,749.14	668,100.43	1,219,849.57	
Forest insurance	443,628.72	80,248.96	523,877.68	
Total	22,670,274.63	7,328,850.17	29,999,124.80	

Note 41 Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	6,490,208,842.65	1,694,143,816.00
Bonds payable due within one year	3,446,230,840.15	2,550,000,000.00
Long-term payables due within one year	431,749,975.97	635,660,461.72
Other long-term liabilities due within one year	75,368,321.88	16,619,980.97
Total	10,443,557,980.65	4,896,424,258.69

Note 42 Other current liabilities

Items	Closing balance	Opening balance
1. Short-term financing bonds	8,500,000,000.00	8,500,000,000.00
2. Other agency services	71,453,109.45	561,916,079.86
3. Liquidation of current accounts	89,860,306.94	135,609,612.92
4. Unterminated notes Receivable	80,408,699.63	

Items	Closing balance	Opening balance
5. VAT related payments	586,327,555.72	302,609,932.24
Total	9,328,049,671.74	9,500,135,625.02

Note 43 Long-term borrowing

Items	Closing balance	Opening balance
Pledged borrowing	49,254,766,693.87	31,041,215,839.66
Mortgage borrowing	2,371,510,570.13	13,838,180,108.29
Guaranteed borrowing	20,599,285,583.10	18,824,047,073.74
Borrowing on credit	45,883,596,351.99	32,150,729,716.73
Total	118,109,159,199.09	95,854,172,738.42

The interest rate of long-term borrowing is between 1.20% to 7.00%.

Note 44 Bonds payable

1. Bonds payable

Items	Closing balance	Opening balance
Interbank negotiable certificates of deposit	32,678,879,141.58	25,423,240,534.01
Bond certificate	20,530,260,884.33	20,753,398,617.61
Medium-term Notes	19,730,634,500.00	17,930,634,500.00
Secondary capital securities of commercial Bank	4,993,095,294.61	4,992,140,012.67
Special finance bonds of small and micro enterprises	2,999,214,193.15	2,997,399,670.53
Green finance bonds	1,995,694,478.70	
Total	82,927,778,492.37	72,096,813,334.82

2. Changes in bonds payable

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
06 Lu High-speed bond	1,000,000,000.00	2006-4-10	20years	1,000,000,000.00	1,000,000,000.00
07 Lu High-speed bond	1,500,000,000.00	2007-11-19	15years	1,500,000,000.00	1,500,000,000.00
09 Lu High-speed bond	75,000,000.00	2009-5-15	10years	75,000,000.00	75,000,000.00
12 Lu High-speed bond	2,000,000,000.00	2012-2-10	10years	2,000,000,000.00	2,000,000,000.00
1401 Medium-term Notes	3,000,000,000.00	2014-4-30	15years	3,000,000,000.00	3,000,000,000.00
1402 Medium-term Notes	2,500,000,000.00	2014-11-17	10years	2,500,000,000.00	2,500,000,000.00
201503 Medium-term Notes	2,500,000,000.00	2015-7-21	10years	2,500,000,000.00	2,500,000,000.00

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
2015 Corporate bond	1,000,000,000.00	2015-12-17	5years	1,000,000,000.00	1,000,000,000.00
16 Lu High-speed MTN001	2,500,000,000.00	2016-2-19	5years	2,500,000,000.00	2,500,000,000.00
16 Lu High-speed MTN003	1,000,000,000.00	2016-9-23	10years	1,000,000,000.00	1,000,000,000.00
201601 Corporate bond	2,500,000,000.00	2016-7-6	5years	2,500,000,000.00	2,500,000,000.00
17 Lu High-speed MTN001	1,000,000,000.00	2017-6-5	3years	1,000,000,000.00	1,000,000,000.00
17 Lu High-speed MTN003	2,500,000,000.00	2017-10-23	5years	2,500,000,000.00	2,500,000,000.00
17 Lu High-speed MTN004	1,500,000,000.00	2017-11-29	3years	1,500,000,000.00	1,500,000,000.00
201701 Corporate bond	970,000,000.00	2017-4-18	3years	970,000,000.00	970,000,000.00
201702 Corporate bond	530,000,000.00	2017-4-18	5years	530,000,000.00	530,000,000.00
2017 Exchangeable Corporate Bonds	2,500,000,000.00	2017-4-24	5years	2,500,000,000.00	2,500,000,000.00
201803 Corporate bond	1,000,000,000.00	2018-12-5	3years	1,000,000,000.00	
18 Lu High-speed MTN003	1,500,000,000.00	2018-11-9	3years	1,500,000,000.00	
Medium-term Notes	400,000,000.00	2014-7-25	5years	400,000,000.00	410,634,500.00
Shandong Hi-speed Company Limited 2013 Corporate bond	2,000,000,000.00	2014-7-16	5years	2,000,000,000.00	1,999,087,671.00
17 Mountain Road 01	500,000,000.00	2017-3-10	5years	500,000,000.00	500,000,000.00
17 High-speed Road & Bridge MTN001	320,000,000.00	2017-9-27	5years	320,000,000.00	320,000,000.00
18 High-speed Road & Bridge MTN00	300,000,000.00	2018-10-22	3years	300,000,000.00	
16 Lutte investment bond	2,000,000,000.00	2016-3-3	15years	2,000,000,000.00	2,000,000,000.00
Small and micro business loan special financial bonds (I)	500,000,000.00	2014-2-17	5years	498,298,000.00	499,634,156.16
Small and micro business loan special financial bonds (II)	2,500,000,000.00	2014-6-23	5years	2,492,238,000.00	2,497,765,514.37
15 Weihai Commercial Bank Level 2	3,000,000,000.00	2015-9-24	10years	2,994,270,000.00	2,995,485,551.48
17Weihai City Commercial Bank Level 2	2,000,000,000.00	2017-7-11	10years	1,996,523,584.90	1,996,654,461.19
18 Weihai City Commercial Bank Green Finance Bond	2,000,000,000.00	2018-3-23	3years	1,993,965,000.00	
17 Weihai City Commercial BankCD002	500,000,000.00	2017-1-24	1year	480,215,000.00	498,674,390.11
17 Weihai City Commercial BankCD021	200,000,000.00	2017-5-25	9months	193,253,600.00	198,612,381.87
17 Weihai City Commercial BankCD022	300,000,000.00	2017-5-25	9months	289,880,400.00	297,918,572.80

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
17 Weihai City Commercial BankCD030	500,000,000.00	2017-6-28	9months	482,845,500.00	494,468,029.32
17 Weihai City Commercial BankCD052	770,000,000.00	2017-10-25	6months	751,928,100.00	758,531,076.20
17 Weihai City Commercial BankCD054	1,900,000,000.00	2017-10-26	6months	1,855,135,300.00	1,871,281,155.56
17 Weihai City Commercial BankCD055	1,460,000,000.00	2017-10-27	6months	1,425,525,020.00	1,437,743,050.00
17 Weihai City Commercial BankCD056	1,580,000,000.00	2017-10-30	6months	1,542,691,460.00	1,555,300,966.77
17 Weihai City Commercial BankCD057	940,000,000.00	2017-11-8	6months	917,878,980.00	924,301,952.60
17 Weihai City Commercial BankCD058	1,500,000,000.00	2017-11-22	1year	1,427,212,500.00	1,434,818,163.17
17 Weihai City Commercial BankCD059	240,000,000.00	2017-11-22	6months	234,125,280.00	235,378,827.17
17 Weihai City Commercial BankCD060	800,000,000.00	2017-11-23	6months	780,417,600.00	784,488,670.84
17 Weihai City Commercial BankCD061	1,000,000,000.00	2017-11-29	1year	950,570,000.00	954,804,076.62
17 Weihai City Commercial BankCD062	1,170,000,000.00	2017-12-6	6months	1,140,596,730.00	1,144,591,438.25
17 Weihai City Commercial BankCD063	350,000,000.00	2017-12-6	1year	332,857,700.00	334,004,566.84
17 Weihai City Commercial BankCD064	2,050,000,000.00	2017-12-7	1year	1,949,595,100.00	1,956,043,324.56
17 Weihai City Commercial BankCD065	580,000,000.00	2017-12-8	1year	551,339,300.00	553,102,755.04
17 Weihai City Commercial BankCD066	250,000,000.00	2017-12-11	6months	243,693,500.00	244,378,667.86
17 Weihai City Commercial BankCD067	230,000,000.00	2017-12-11	9months	221,375,000.00	221,993,469.70
17 Weihai City Commercial BankCD068	300,000,000.00	2017-12-11	1year	285,198,300.00	285,990,103.50
17 Weihai City Commercial BankCD069	250,000,000.00	2017-12-12	6months	243,658,000.00	244,312,484.64
17 Weihai City Commercial BankCD070	640,000,000.00	2017-12-12	9months	615,955,840.00	617,593,590.13
17 Weihai City Commercial BankCD071	600,000,000.00	2017-12-12	1year	570,234,000.00	571,746,378.79
17 Weihai City Commercial BankCD072	170,000,000.00	2017-12-13	6months	165,687,440.00	166,109,036.12

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
17 Weihai City Commercial BankCD073	50,000,000.00	2017-12-13	9months	48,121,550.00	48,242,756.58
17 Weihai City Commercial BankCD074	280,000,000.00	2017-12-13	1year	266,109,200.00	266,777,784.00
17 Weihai City Commercial BankCD075	100,000,000.00	2017-12-15	1year	94,985,900.00	95,200,332.96
17 Weihai City Commercial BankCD076	300,000,000.00	2017-12-19	6months	292,275,900.00	292,779,000.58
17 Weihai City Commercial BankCD077	200,000,000.00	2017-12-19	6months	194,850,600.00	195,186,000.39
17 Weihai City Commercial BankCD078	2,290,000,000.00	2017-12-20	3months	2,259,909,400.00	2,263,565,825.49
17 Weihai City Commercial BankCD079	2,000,000,000.00	2017-12-20	1year	1,897,534,000.00	1,900,543,910.32
17 Weihai City Commercial BankCD080	60,000,000.00	2017-12-21	9months	57,683,340.00	57,766,295.53
17 Weihai City Commercial BankCD081	1,600,000,000.00	2017-12-21	1year	1,518,603,200.00	1,520,777,092.00
17 Weihai City Commercial BankCD082	1,000,000,000.00	2017-12-25	1month	995,308,000.00	996,214,407.70
18 Weihai City Commercial BankCD001	400,000,000.00	2018-1-15	3months	395,172,400.00	
18 Weihai City Commercial BankCD003	300,000,000.00	2018-1-18	1month	298,739,700.00	
18 Weihai City Commercial BankCD004	80,000,000.00	2018-1-18	3months	79,029,600.00	
18 Weihai City Commercial BankCD005	900,000,000.00	2018-1-26	1month	896,459,400.00	
18 Weihai City Commercial BankCD006	2,380,000,000.00	2018-1-29	1month	2,371,034,540.00	
18 Weihai City Commercial BankCD007	300,000,000.00	2018-1-29	3months	296,218,800.00	
18 Weihai City Commercial BankCD008	150,000,000.00	2018-1-29	3months	148,113,150.00	
18 Weihai City Commercial BankCD009	550,000,000.00	2018-1-30	3months	543,114,000.00	
18 Weihai City Commercial BankCD010	750,000,000.00	2018-2-13	3months	741,136,500.00	
18 Weihai City Commercial BankCD011	200,000,000.00	2018-2-14	1month	199,385,200.00	
18 Weihai City Commercial BankCD012	760,000,000.00	2018-2-14	3months	751,117,120.00	

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
18 Weihai City Commercial BankCD013	10,000,000.00	2018-2-14	3months	9,883,120.00	
18 Weihai City Commercial BankCD014	1,000,000,000.00	2018-2-22	3months	988,312,000.00	
18 Weihai City Commercial BankCD015	950,000,000.00	2018-2-24	1month	946,808,950.00	
18 Weihai City Commercial BankCD016	1,100,000,000.00	2018-2-26	1month	1,096,593,300.00	
18 Weihai City Commercial BankCD017	250,000,000.00	2018-2-26	3months	247,013,250.00	
18 Weihai City Commercial BankCD018	800,000,000.00	2018-2-27	1month	797,552,800.00	
18 Weihai City Commercial BankCD019	650,000,000.00	2018-2-28	1month	648,061,050.00	
18 Weihai City Commercial BankCD020	590,000,000.00	2018-2-28	3months	583,076,350.00	
18 Weihai City Commercial BankCD021	570,000,000.00	2018-3-1	3months	563,101,860.00	
18 Weihai City Commercial BankCD022	120,000,000.00	2018-3-2	6months	117,005,160.00	
18 Weihai City Commercial BankCD023	530,000,000.00	2018-3-5	6months	516,842,220.00	
18 Weihai City Commercial BankCD024	230,000,000.00	2018-3-6	6months	224,290,020.00	
18 Weihai City Commercial BankCD025	730,000,000.00	2018-3-7	6months	711,842,710.00	
18 Weihai City Commercial BankCD026	200,000,000.00	2018-3-8	6months	194,963,000.00	
18 Weihai City Commercial BankCD027	660,000,000.00	2018-3-9	6months	643,369,320.00	
18 Weihai City Commercial BankCD028	600,000,000.00	2018-3-12	1month	597,513,600.00	
18 Weihai City Commercial BankCD029	280,000,000.00	2018-3-12	6months	272,981,800.00	
18 Weihai City Commercial BankCD030	1,000,000,000.00	2018-3-15	3months	987,849,000.00	
18 Weihai City Commercial BankCD031	1,070,000,000.00	2018-3-29	6months	1,045,390,000.00	
18 Weihai City Commercial BankCD032	800,000,000.00	2018-3-30	6months	781,099,200.00	
18 Weihai City Commercial BankCD033	400,000,000.00	2018-3-30	1year	381,400,800.00	

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
18 Weihai City Commercial BankCD034	400,000,000.00	2018-4-4	6months	390,888,000.00	
18 Weihai City Commercial BankCD036	600,000,000.00	2018-4-8	1year	572,518,800.00	
18 Weihai City Commercial BankCD037	1,700,000,000.00	2018-4-11	1year	1,622,136,600.00	
18 Weihai City Commercial BankCD038	230,000,000.00	2018-4-12	1year	219,570,420.00	
18 Weihai City Commercial BankCD039	1,000,000,000.00	2018-4-13	1year	953,959,000.00	
18 Weihai City Commercial BankCD040	1,670,000,000.00	2018-4-20	1year	1,599,247,110.00	
18 Weihai City Commercial BankCD041	1,090,000,000.00	2018-5-4	6months	1,065,693,000.00	
18 Weihai City Commercial BankCD042	150,000,000.00	2018-5-4	1year	143,300,100.00	
18 Weihai City Commercial BankCD043	290,000,000.00	2018-5-7	6months	283,567,220.00	
18 Weihai City Commercial BankCD044	1,260,000,000.00	2018-5-7	1year	1,203,783,840.00	
18 Weihai City Commercial BankCD045	150,000,000.00	2018-5-11	6months	146,691,450.00	
18 Weihai City Commercial BankCD046	250,000,000.00	2018-5-11	1year	238,718,750.00	
18 Weihai City Commercial BankCD047	150,000,000.00	2018-5-17	6months	146,637,300.00	
18 Weihai City Commercial BankCD048	50,000,000.00	2018-5-18	1year	47,707,100.00	
18 Weihai City Commercial BankCD050	1,770,000,000.00	2018-5-21	1year	1,688,930,460.00	
18 Weihai City Commercial BankCD051	1,450,000,000.00	2018-5-22	1year	1,383,587,100.00	
18 Weihai City Commercial BankCD052	570,000,000.00	2018-6-4	6months	556,795,950.00	
18 Weihai City Commercial BankCD053	450,000,000.00	2018-6-7	6months	439,747,650.00	
18 Weihai City Commercial BankCD054	780,000,000.00	2018-6-8	6months	761,964,060.00	
18 Weihai City Commercial BankCD055	370,000,000.00	2018-6-12	1month	368,561,070.00	
18 Weihai City Commercial BankCD056	1,000,000,000.00	2018-6-12	3months	988,415,000.00	

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
18 Weihai City Commercial BankCD057	510,000,000.00	2018-6-12	1year	486,408,930.00	
18 Weihai City Commercial BankCD058	100,000,000.00	2018-6-13	1month	99,613,600.00	
18 Weihai City Commercial BankCD059	920,000,000.00	2018-7-4	1year	880,635,960.00	
18 Weihai City Commercial BankCD060	2,000,000,000.00	2018-7-5	1year	1,914,426,000.00	
18 Weihai City Commercial BankCD061	200,000,000.00	2018-7-12	1year	191,662,600.00	
18 Weihai City Commercial BankCD062	270,000,000.00	2018-7-13	1year	258,685,650.00	
18 Weihai City Commercial BankCD063	200,000,000.00	2018-7-16	1year	191,662,600.00	
18 Weihai City Commercial BankCD064	200,000,000.00	2018-7-19	1year	191,662,600.00	
18 Weihai City Commercial BankCD065	50,000,000.00	2018-9-11	1month	49,880,300.00	
18 Weihai City Commercial BankCD066	1,390,000,000.00	2018-9-12	6months	1,365,620,790.00	
18 Weihai City Commercial BankCD067	1,970,000,000.00	2018-9-13	1month	1,964,832,690.00	
18 Weihai City Commercial BankCD068	1,000,000,000.00	2018-9-14	6months	982,461,000.00	
18 Weihai City Commercial BankCD069	300,000,000.00	2018-9-14	1month	299,232,600.00	
18 Weihai City Commercial BankCD070	610,000,000.00	2018-10-22	3months	605,240,170.00	
18 Weihai City Commercial BankCD071	370,000,000.00	2018-10-22	1year	356,351,810.00	
18 Weihai City Commercial BankCD072	250,000,000.00	2018-10-23	3months	248,030,750.00	
18 Weihai City Commercial BankCD073	100,000,000.00	2018-10-23	6months	98,260,700.00	
18 Weihai City Commercial BankCD074	570,000,000.00	2018-10-23	1year	548,868,390.00	
18 Weihai City Commercial BankCD075	200,000,000.00	2018-10-24	6months	196,521,400.00	
18 Weihai City Commercial BankCD076	120,000,000.00	2018-10-25	3months	119,025,000.00	
18 Weihai City Commercial BankCD077	150,000,000.00	2018-10-26	3months	148,755,000.00	

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
18 Weihai City Commercial BankCD078	860,000,000.00	2018-10-26	1year	827,949,520.00	
18 Weihai City Commercial BankCD079	500,000,000.00	2018-11-23	1year	481,832,000.00	
18 Weihai City Commercial BankCD080	1,420,000,000.00	2018-12-5	1month	1,415,877,740.00	
18 Weihai City Commercial BankCD081	560,000,000.00	2018-12-6	1month	558,384,400.00	
18 Weihai City Commercial BankCD082	2,240,000,000.00	2018-12-6	3months	2,221,647,680.00	
18 Weihai City Commercial BankCD083	1,130,000,000.00	2018-12-7	1month	1,126,841,650.00	
18 Weihai City Commercial BankCD084	200,000,000.00	2018-12-7	3months	198,361,400.00	
18 Weihai City Commercial BankCD085	300,000,000.00	2018-12-7	3months	297,542,100.00	
18 Weihai City Commercial BankCD086	50,000,000.00	2018-12-10	1month	49,861,100.00	
18 Weihai City Commercial BankCD087	1,620,000,000.00	2018-12-12	1month	1,615,107,600.00	
18 Weihai City Commercial BankCD088	650,000,000.00	2018-12-13	1month	648,068,200.00	
18 Weihai City Commercial BankCD089	1,000,000,000.00	2018-12-13	3months	991,807,000.00	
18 Weihai City Commercial BankCD090	680,000,000.00	2018-12-14	1month	678,042,280.00	
18 Weihai City Commercial BankCD091	120,000,000.00	2018-12-18	1month	119,649,360.00	
18 Weihai City Commercial BankCD092	500,000,000.00	2018-12-24	1month	498,455,000.00	
18 Weihai City Commercial BankCD093	500,000,000.00	2018-12-26	1month	498,355,500.00	
18 Weihai City Commercial BankCD094	20,000,000.00	2018-12-27	1month	19,821,600.00	
18 Weihai City Commercial BankCD095	390,000,000.00	2018-12-27	3months	388,654,110.00	
18 Weihai City Commercial BankCD096	500,000,000.00	2018-12-28	1month	498,349,500.00	
18 Weihai City Commercial BankCD097	200,000,000.00	2018-12-28	3months	198,167,600.00	
18 Weihai City Commercial BankCD098	30,000,000.00	2018-12-28	3months	29,728,770.00	

Bond name	Par value	Issue date	Bond period	Issue amount	Opening balance
XS1737108016	1000 US dollars	2017.12.21	3years	400 million US dollars	
2015 Ocean Investment bond (I)	200,000,000.00	2015-10-27	5years	200,000,000.00	198,826,769.88
2016 Ocean Investment bond (I)	100,000,000.00	2016-3-30	5years	100,000,000.00	99,327,595.77
16 Shandong Ocean MTN001	700,000,000.00	2016-2-17	5years	700,000,000.00	700,000,000.00
17 Shandong Ocean SCP001	500,000,000.00	2017-7-25	270days	500,000,000.00	500,000,000.00
18 Shandong Ocean SCP001	500,000,000.00	2018-4-4	240days	500,000,000.00	
Overseas Private Equity Bonds	1,372,640,000.00	2017-10-24	3years	1,366,827,447.14	1,301,625,563.15
SDSC GFIN SGPCS	120 million US dollars	2016-11-17	Perpetual Bond (Redeemable after 5 years)	18,190,400.00 million US dollars	774,940,176.55
SDSC INTL B1911	200 million US dollars	2014-11-12	5years	99,078,000.00 million US dollars	1,304,590,841.26
Total				133,671,605,322.04	72,096,813,334.82

Continued:

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
06 Lu High-speed bond		41,000,000.00			1,000,000,000.00
07 Lu High-speed bond		87,750,000.00			1,500,000,000.00
09 Lu High-speed bond		3,450,000.00		75,000,000.00	
12 Lu High-speed bond		114,399,999.96			2,000,000,000.00
1401 Medium-term Notes		201,000,000.00			3,000,000,000.00
1402 Medium-term Notes		127,500,000.00			2,500,000,000.00
201503 Medium-term Notes		115,250,000.04			2,500,000,000.00
2015 Corporate bond		36,700,000.00			1,000,000,000.00
16 Lu High-speed MTN001		88,250,000.00			2,500,000,000.00

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
16 Lu High-speed MTN003		36,000,000.00			1,000,000,000.00
201601 Corporate bond		83,000,000.04			2,500,000,000.00
17 Lu High-speed MTN001		48,900,000.00			1,000,000,000.00
17 Lu High-speed MTN003		124,250,000.04			2,500,000,000.00
17 Lu High-speed MTN004		81,300,000.00			1,500,000,000.00
201701 Corporate bond		42,097,500.00			970,000,000.00
201702 Corporate bond		24,274,000.00			530,000,000.00
2017 Exchangeable Corporate Bonds		42,320,165.70			2,500,000,000.00
201803 Corporate bond	1,000,000,000.00	3,833,333.33			1,000,000,000.00
18 Lu High-speed MTN003	1,500,000,000.00	10,250,000.00			1,500,000,000.00
Medium-term Notes					410,634,500.00
Shandong Hi-speed Company Limited 2013 Corporate bond		600,000.00	600,000.00	1,999,687,671.00	
17 Mountain Road 01		45,795,890.45			500,000,000.00
17 High-speed Road & Bridge MTN001		22,471,539.77			320,000,000.00
18 High-speed Road & Bridge MTN00	300,000,000.00	3,209,589.03			300,000,000.00
16 Lutie investment bond					2,000,000,000.00
Small and micro business loan special financial bonds (I)		30,000,000.00	320,132.88		499,954,289.04

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
Small and micro business loan special financial bonds (II)		145,000,000.00	1,494,389.74		2,499,259,904.11
15 Weihai Commercial Bank Level 2		156,000,000.00	657,227.29		2,996,142,778.77
17 Weihai City Commercial Bank Level 2		100,000,000.00	298,054.65		1,996,952,515.84
18 Weihai City Commercial Bank Green Finance Bond	1,993,965,000.00	84,202,191.78	1,729,478.70		1,995,694,478.70
17 Weihai City Commercial BankCD002			1,325,609.89	500,000,000.00	
17 Weihai City Commercial BankCD021			1,387,618.13	200,000,000.00	
17 Weihai City Commercial BankCD022			2,081,427.20	300,000,000.00	
17 Weihai City Commercial BankCD030			5,531,970.68	500,000,000.00	
17 Weihai City Commercial BankCD052			11,468,923.80	770,000,000.00	
17 Weihai City Commercial BankCD054			28,718,844.44	1,900,000,000.00	
17 Weihai City Commercial BankCD055			22,256,950.00	1,460,000,000.00	
17 Weihai City Commercial BankCD056			24,699,033.23	1,580,000,000.00	
17 Weihai City Commercial BankCD057			15,698,047.40	940,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
17 Weihai City Commercial BankCD058			65,181,836.83	1,500,000,000.00	
17 Weihai City Commercial BankCD059			4,621,172.83	240,000,000.00	
17 Weihai City Commercial BankCD060			15,511,329.16	800,000,000.00	
17 Weihai City Commercial BankCD061			45,195,923.38	1,000,000,000.00	
17 Weihai City Commercial BankCD062			25,408,561.75	1,170,000,000.00	
17 Weihai City Commercial BankCD063			15,995,433.16	350,000,000.00	
17 Weihai City Commercial BankCD064			93,956,675.44	2,050,000,000.00	
17 Weihai City Commercial BankCD065			26,897,244.96	580,000,000.00	
17 Weihai City Commercial BankCD066			5,621,332.14	250,000,000.00	
17 Weihai City Commercial BankCD067			8,006,530.30	230,000,000.00	
17 Weihai City Commercial BankCD068			14,009,896.50	300,000,000.00	
17 Weihai City Commercial BankCD069			5,687,515.36	250,000,000.00	
17 Weihai City Commercial BankCD070			22,406,409.87	640,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
17 Weihai City Commercial BankCD071			28,253,621.21	600,000,000.00	
17 Weihai City Commercial BankCD072			3,890,963.88	170,000,000.00	
17 Weihai City Commercial BankCD073			1,757,243.42	50,000,000.00	
17 Weihai City Commercial BankCD074			13,222,216.00	280,000,000.00	
17 Weihai City Commercial BankCD075			4,799,667.04	100,000,000.00	
17 Weihai City Commercial BankCD076			7,220,999.42	300,000,000.00	
17 Weihai City Commercial BankCD077			4,813,999.61	200,000,000.00	
17 Weihai City Commercial BankCD078			26,434,174.51	2,290,000,000.00	
17 Weihai City Commercial BankCD079			99,456,089.68	2,000,000,000.00	
17 Weihai City Commercial BankCD080			2,233,704.47	60,000,000.00	
17 Weihai City Commercial BankCD081			79,222,908.00	1,600,000,000.00	
17 Weihai City Commercial BankCD082			3,785,592.30	1,000,000,000.00	
18 Weihai City Commercial BankCD001	395,172,400.00		4,827,600.00	400,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD003	298,739,700.00		1,260,300.00	300,000,000.00	
18 Weihai City Commercial BankCD004	79,029,600.00		970,400.00	80,000,000.00	
18 Weihai City Commercial BankCD005	896,459,400.00		3,540,600.00	900,000,000.00	
18 Weihai City Commercial BankCD006	2,371,034,540.00		8,965,460.00	2,380,000,000.00	
18 Weihai City Commercial BankCD007	296,218,800.00		3,781,200.00	300,000,000.00	
18 Weihai City Commercial BankCD008	148,113,150.00		1,886,850.00	150,000,000.00	
18 Weihai City Commercial BankCD009	543,114,000.00		6,886,000.00	550,000,000.00	
18 Weihai City Commercial BankCD010	741,136,500.00		8,863,500.00	750,000,000.00	
18 Weihai City Commercial BankCD011	199,385,200.00		614,800.00	200,000,000.00	
18 Weihai City Commercial BankCD012	751,117,120.00		8,882,880.00	760,000,000.00	
18 Weihai City Commercial BankCD013	9,883,120.00		116,880.00	10,000,000.00	
18 Weihai City Commercial BankCD014	988,312,000.00		11,688,000.00	1,000,000,000.00	
18 Weihai City Commercial BankCD015	946,808,950.00		3,191,050.00	950,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD016	1,096,593,300.00		3,406,700.00	1,100,000,000.00	
18 Weihai City Commercial BankCD017	247,013,250.00		2,986,750.00	250,000,000.00	
18 Weihai City Commercial BankCD018	797,552,800.00		2,447,200.00	800,000,000.00	
18 Weihai City Commercial BankCD019	648,061,050.00		1,938,950.00	650,000,000.00	
18 Weihai City Commercial BankCD020	583,076,350.00		6,923,650.00	590,000,000.00	
18 Weihai City Commercial BankCD021	563,101,860.00		6,898,140.00	570,000,000.00	
18 Weihai City Commercial BankCD022	117,005,160.00		2,994,840.00	120,000,000.00	
18 Weihai City Commercial BankCD023	516,842,220.00		13,157,780.00	530,000,000.00	
18 Weihai City Commercial BankCD024	224,290,020.00		5,709,980.00	230,000,000.00	
18 Weihai City Commercial BankCD025	711,842,710.00		18,157,290.00	730,000,000.00	
18 Weihai City Commercial BankCD026	194,963,000.00		5,037,000.00	200,000,000.00	
18 Weihai City Commercial BankCD027	643,369,320.00		16,630,680.00	660,000,000.00	
18 Weihai City Commercial BankCD028	597,513,600.00		2,486,400.00	600,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD029	272,981,800.00		7,018,200.00	280,000,000.00	
18 Weihai City Commercial BankCD030	987,849,000.00		12,151,000.00	1,000,000,000.00	
18 Weihai City Commercial BankCD031	1,045,390,000.00		24,610,000.00	1,070,000,000.00	
18 Weihai City Commercial BankCD032	781,099,200.00		18,900,800.00	800,000,000.00	
18 Weihai City Commercial BankCD033	381,400,800.00		13,943,407.93		395,344,207.93
18 Weihai City Commercial BankCD034	390,888,000.00		9,112,000.00	400,000,000.00	
18 Weihai City Commercial BankCD036	572,518,800.00		19,912,177.71		592,430,977.71
18 Weihai City Commercial BankCD037	1,622,136,600.00		55,763,470.62		1,677,900,070.62
18 Weihai City Commercial BankCD038	219,570,420.00		7,441,269.81		227,011,689.81
18 Weihai City Commercial BankCD039	953,959,000.00		32,712,832.56		986,671,832.56
18 Weihai City Commercial BankCD040	1,599,247,110.00		48,949,327.06		1,648,196,437.06
18 Weihai City Commercial BankCD041	1,065,693,000.00		24,307,000.00	1,090,000,000.00	-
18 Weihai City Commercial BankCD042	143,300,100.00		4,370,078.55		147,670,178.55

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD043	283,567,220.00		6,432,780.00	290,000,000.00	
18 Weihai City Commercial BankCD044	1,203,783,840.00		36,199,347.52		1,239,983,187.52
18 Weihai City Commercial BankCD045	146,691,450.00		3,308,550.00	150,000,000.00	
18 Weihai City Commercial BankCD046	238,718,750.00		7,137,461.20		245,856,211.20
18 Weihai City Commercial BankCD047	146,637,300.00		3,362,700.00	150,000,000.00	
18 Weihai City Commercial BankCD048	47,707,100.00		1,405,690.89		49,112,790.89
18 Weihai City Commercial BankCD050	1,688,930,460.00		49,027,925.29		1,737,958,385.29
18 Weihai City Commercial BankCD051	1,383,587,100.00		39,980,168.85		1,423,567,268.85
18 Weihai City Commercial BankCD052	556,795,950.00		13,204,050.00	570,000,000.00	
18 Weihai City Commercial BankCD053	439,747,650.00		10,252,350.00	450,000,000.00	
18 Weihai City Commercial BankCD054	761,964,060.00		18,035,940.00	780,000,000.00	
18 Weihai City Commercial BankCD055	368,561,070.00		1,438,930.00	370,000,000.00	
18 Weihai City Commercial BankCD056	988,415,000.00		11,585,000.00	1,000,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD057	486,408,930.00		12,830,478.62		499,239,408.62
18 Weihai City Commercial BankCD058	99,613,600.00		386,400.00	100,000,000.00	
18 Weihai City Commercial BankCD059	880,635,960.00		19,070,341.54		899,706,301.54
18 Weihai City Commercial BankCD060	1,914,426,000.00		41,223,014.05		1,955,649,014.05
18 Weihai City Commercial BankCD061	191,662,600.00		3,859,326.03		195,521,926.03
18 Weihai City Commercial BankCD062	258,685,650.00		5,205,724.84		263,891,374.84
18 Weihai City Commercial BankCD063	191,662,600.00		3,768,243.03		195,430,843.03
18 Weihai City Commercial BankCD064	191,662,600.00		3,699,989.02		195,362,589.02
18 Weihai City Commercial BankCD065	49,880,300.00		119,700.00	50,000,000.00	
18 Weihai City Commercial BankCD066	1,365,620,790.00		14,846,494.97		1,380,467,284.97
18 Weihai City Commercial BankCD067	1,964,832,690.00		5,167,310.00	1,970,000,000.00	
18 Weihai City Commercial BankCD068	982,461,000.00		10,486,387.40		992,947,387.40
18 Weihai City Commercial BankCD069	299,232,600.00		767,400.00	300,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD070	605,240,170.00		3,666,717.68		608,906,887.68
18 Weihai City Commercial BankCD071	356,351,810.00		2,572,007.09		358,923,817.09
18 Weihai City Commercial BankCD072	248,030,750.00		1,495,482.47		249,526,232.47
18 Weihai City Commercial BankCD073	98,260,700.00		661,619.83		98,922,319.83
18 Weihai City Commercial BankCD074	548,868,390.00		3,925,079.20		552,793,469.20
18 Weihai City Commercial BankCD075	196,521,400.00		1,304,207.96		197,825,607.96
18 Weihai City Commercial BankCD076	119,025,000.00		719,103.89		119,744,103.89
18 Weihai City Commercial BankCD077	148,755,000.00		904,611.47		149,659,611.47
18 Weihai City Commercial BankCD078	827,949,520.00		5,695,184.97		833,644,704.97
18 Weihai City Commercial BankCD079	481,832,000.00		1,875,268.21		483,707,268.21
18 Weihai City Commercial BankCD080	1,415,877,740.00		3,589,003.81		1,419,466,743.81
18 Weihai City Commercial BankCD081	558,384,400.00		1,354,385.71		559,738,785.71
18 Weihai City Commercial BankCD082	2,221,647,680.00		5,270,545.85		2,226,918,225.85

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD083	1,126,841,650.00		2,545,672.04		1,129,387,322.04
18 Weihai City Commercial BankCD084	198,361,400.00		452,443.32		198,813,843.32
18 Weihai City Commercial BankCD085	297,542,100.00		678,664.97		298,220,764.97
18 Weihai City Commercial BankCD086	49,861,100.00		98,494.33		49,959,594.33
18 Weihai City Commercial BankCD087	1,615,107,600.00		3,152,988.45		1,618,260,588.45
18 Weihai City Commercial BankCD088	648,068,200.00		1,182,637.97		649,250,837.97
18 Weihai City Commercial BankCD089	991,807,000.00		1,718,333.50		993,525,333.50
18 Weihai City Commercial BankCD090	678,042,280.00		1,135,362.13		679,177,642.13
18 Weihai City Commercial BankCD091	119,649,360.00		158,098.72		119,807,458.72
18 Weihai City Commercial BankCD092	498,455,000.00		397,791.85		498,852,791.85
18 Weihai City Commercial BankCD093	498,355,500.00		317,442.51		498,672,942.51
18 Weihai City Commercial BankCD094	19,821,600.00		216,447.98	1,167,490.00	18,870,557.98
18 Weihai City Commercial BankCD095	388,654,110.00		1,177,316.71		389,831,426.71

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
18 Weihai City Commercial BankCD096	498,349,500.00		212,352.94		498,561,852.94
18 Weihai City Commercial BankCD097	198,167,600.00		80,719.14		198,248,319.14
18 Weihai City Commercial BankCD098	29,728,770.00		11,949.39		29,740,719.39
XS1737108016	2,745,277,396.00	219,622,400.00			2,745,277,396.00
2015 Ocean Investment bond (I)			1,173,230.12	200,000,000.00	
2016 Ocean Investment bond (I)			197,705.39		99,525,301.16
16 Shandong Ocean MTN001					700,000,000.00
17 Shandong Ocean SCP001				500,000,000.00	
18 Shandong Ocean SCP001	500,000,000.00			500,000,000.00	
Overseas Private Equity Bonds		74,885,247.68	67,389,920.88		1,369,015,484.03
SDSC GFIN SGPCS		42,232,405.25	41,502,526.59		816,442,703.14
SDSC INTL B1911		47,974,442.70	66,952,327.89	1,371,543,169.15	
Total	66,496,474,946.00	2,212,041,686.52	1,721,888,541.70	57,387,398,330.15	82,927,778,492.37

Note 45 Long-term payables

Items	Closing balance	Opening balance
Long-term payables	5,559,887,687.49	5,345,393,997.69
Special payable	403,945,802.11	345,149,727.11
Total	5,963,833,489.60	5,690,543,724.80

(I) Long-term payables

Items	Closing balance	Opening balance
Total	5,559,887,687.49	5,345,393,997.69
Including: 1. Accrued financial lease outlay	4,906,736,752.55	4,730,568,473.55
2. Shandong Kenli Petrochemical Group	11,200,000.00	10,275,000.00

Items	Closing balance	Opening balance
3. Payable finance lease deposit	532,458,715.95	474,405,600.00
4. Henan Railway Group Co., Ltd.	10,000,000.00	20,000,000.00
5. Binzhou Taiyu Wheat Industry Co., Ltd.	6,275,000.00	33,385,216.44

(II) Special payable

Items	Opening balance	Increase	Decrease	Closing balance
Total	345,149,727.11	58,796,075.00		403,945,802.11
Including: 1. Funds of Jinan-laiwu Highway project construction	294,000,000.00			294,000,000.00
2. Land compensation	37,144,077.54	54,546,075.00		91,690,152.54
3. Grant for dedicated connection and upgrading and reconstruction of information system of state-owned assets supervision and administration of Shandong Province Finance Bureau	785,649.57			785,649.57
4. Appropriation for the Westward Transfer Project of Yiyang Railway	13,170,000.00			13,170,000.00
5. Key Technologies Research of Integrated Dismantling Equipment for Offshore Oilfield Facilities		4,250,000.00		4,250,000.00

Note 46 Long term employee benefits payable

Items	Opening balance	Increase	Decrease	Closing balance
I. post-employment welfare- net debt of defined benefit plans				
II. Termination welfare	47,527,246.64	129,609,507.54	11,848,435.11	165,288,319.07
III. Other long-term welfare				
Total	47,527,246.64	129,609,507.54	11,848,435.11	165,288,319.07

Note 47 Accrued liabilities

Items	Closing balance	Opening balance
Pending litigation	16,137,473.53	71,789,578.26
Loss contract	2,126,998.82	2,306,799.73
Debt guarantee	10,000,000.00	
Total	28,264,472.35	74,096,377.99

1) Beijing Lutong Rainbow Media Co., Ltd. Shandong Branch (hereinafter referred to as Lutong Media) sued cultural media company for lease contract disputes. In November 26, 2018, the Jinan

Intermediate People's Court of Shandong Province ruled that the Cultural Media to refund Lutong Media. The rental of CNY3.135million, media billboard cost of CNY1.567million together with relevant damages. At the end of the year, Shandong high - speed cultural media Co., Ltd recognizes the accrued liabilities of CNY8.186million..

2) Ningxia Yintie Pingyi Industrial Co., Ltd. (hereinafter referred to as Pingyi Company) sued Shandong Ruitong Logistics Co., Ltd. (hereinafter referred to as "Ruitong Company"), a subsidiary of the Company, in May 2016 for disputes arising from the sale and purchase contract. On November 28, 2017, the first-instance judgment of the company repaid the total amount of CNY6,351,200 for the arrears and interest of Pingyi Company. The company did not accept the ruling of the first instance and appealed to the Ningxia Hui Autonomous High Court. On 31 December 2018 it has not yet completed the trial and confirmed the estimated liabilities of CNY6.351million. The debt interest of CNY312.4thousand has been accrued. And the closing balance of the accrued liability is CNY6.6636million.

3) Longkou Jinhui Gold Co., Ltd. (hereinafter referred to as "Gold Company") sued the company's subsidiary, Shandong Dalailong Railway Co., Ltd. (hereinafter referred to as "Dalailong Co., Ltd.") in 2017 for the Dalailong Railway's overburdened mining area. ". On December 27, 2017, Longkou City People's Court of Shandong Province decided that Dalailong Company compensated the gold company with CNY1.287million. The company did not accept the ruling of the first instance and appealed to the Intermediate Court of Yantai City, Shandong Province. On 31 December 2018 it has not completed the trial and confirmed the accrued liabilities of CNY1.287million.

4) The loss contract is a loss that will be incurred by the company's subsidiary, Shandong Marine Singapore, which is expected to continue to perform its contractual obligations.

5) The subsidiary, Shandong High-speed Material Storage and Transportation Co., Ltd, provided external debt guarantee. Due to the insolvency risk of the financial condition of the secured party, the debt guarantee loss was recognized to be CNY10million according to the estimated guarantee.

Note 48 Deferred revenue

Items	Opening balance	Increase	Decrease	Closing balance
Special funds for engineering construction project of Weifang-Rizhao high speed Binhai connection line of Finance Department	199,723,860.53		2,201,971.56	197,521,888.97
The beltway connecting line project of Shandong high - speed Jinan southeast export project construction management office	924,000,000.00	397,000,000.00	50,193,333.30	1,270,806,666.70
The subsidy made by Shouguang municipal government to office buildings of Yiyang management agency	601,151,386.58		21,029,376.60	580,122,009.98

Items	Opening balance	Increase	Decrease	Closing balance
Demolition compensation	320,000,000.00		320,000,000.00	
Financial discount	55,015,980.00		55,015,980.00	
Government incentive program	10,887,706.81	6,684,500.00	374,626.53	17,197,580.28
Agricultural park pilot project	6,600,000.00			6,600,000.00
Special funds for energy conservation and emission reduction	2,096,875.00		457,500.00	1,639,375.00
Enterprise agglomeration support gold	2,000,000.00	3,000,000.00		5,000,000.00
Shandong high-speed group logistics platform grant	1,874,124.83		642,557.16	1,231,567.67
Allowance for purchasing dumping trailers	1,389,897.51		1,389,897.51	
Oil branch back to points activities	7,323,476.50	13,240,846.64	13,662,417.00	6,901,906.14
Special funds for environmental protection construction technology and industry research and development	700,000.00			700,000.00
Jiqing High speed Road Reconstruction and Extension Project Xiaoxu Interchange to Zero offset construction Compensation	50,000,000.00	250,000,000.00		300,000,000.00
High-tech Management Committee subsidy	11,000,000.00			11,000,000.00
Second Ranch Cows' standardization breeding subsidies	1,659,072.17		26,869.32	1,632,202.85
Information company R&D project subsidies	290,200.00			290,200.00
National Agricultural Comprehensive Development Modern Agricultural Park Pilot Project Subsidy Fund	400,000.00			400,000.00
Special subsidies for science and technology projects	4,500,000.00		4,500,000.00	
Office building demolition compensation		7,229,894.67		7,229,894.67
Land compensation		4,686,650.20		4,686,650.20
Construction of the Dalailong Railway Project		30,000,000.00		30,000,000.00
Governmental subsidy of Tengchou land		7,000,000.00		7,000,000.00
Central European Train Express Subsidy		16,235,000.00	16,235,000.00	
Rearrange from other non-current liabilities to deferred revenue of Wujing	254,384,192.92	19,496,600.00	13,105,407.58	260,775,385.34
Others	5,212,301.91		438,564.57	4,773,737.34
Total	2,460,209,074.76	754,573,491.51	499,273,501.13	2,715,509,065.14

Details of government grants:

Items	Opening balance	Newly increased subsidy amount in the current period	Non-operating income of the current period	Other changes	Closing balance	Related to assets/ income
Special funds for engineering construction project of Weifang-Rizhao high speed Binhai connection line of Finance Department	199,060,060.53		2,201,971.56		196,858,088.97	Related to assets
The beltway connecting line project of Shandong high - speed Jinan southeast export project construction management office	924,000,000.00	397,000,000.00	50,193,333.30		1,270,806,666.70	Related to assets
Due diligence subsidy	663,800.00				663,800.00	Related to income
The subsidy made by Shouguang municipal government to office buildings of Yiyang management agency	601,151,386.58		21,029,376.60		580,122,009.98	Related to assets
Demolition compensation	320,000,000.00			320,000,000.00		Related to assets
Financial discount	55,015,980.00			55,015,980.00		Related to assets
Government incentive program	10,887,706.81	6,684,500.00	374,626.53		17,197,580.28	Related to assets
Agricultural park pilot project	6,600,000.00				6,600,000.00	Related to assets
Special funds for energy conservation and emission reduction	2,096,875.00		457,500.00		1,639,375.00	Related to assets
Enterprise agglomeration support gold	2,000,000.00	3,000,000.00			5,000,000.00	Related to income
Shandong high-speed group logistics platform grant	1,874,124.83		642,557.16		1,231,567.67	Related to assets
Allowance for purchasing dumping trailers	1,389,897.51		1,389,897.51			Related to assets
Special funds for environmental protection construction technology and industry research and development	700,000.00				700,000.00	Related to assets

Items	Opening balance	Newly increased subsidy amount in the current period	Non-operating income of the current period	Other changes	Closing balance	Related to assets/ income
Jiqing High speed Road Reconstruction and Extension Project Xiaoxu Interchange to Zero offset construction Compensation	50,000,000.00	250,000,000.00			300,000,000.00	Related to assets
High-tech Management Committee subsidy	11,000,000.00				11,000,000.00	Related to assets
Second Ranch Cows' standardization breeding subsidies	1,659,072.17		26,869.32		1,632,202.85	Related to assets
Information company R&D project subsidies	290,200.00				290,200.00	Related to assets
National Agricultural Comprehensive Development Modern Agricultural Park Pilot Project Subsidy Fund	400,000.00				400,000.00	Related to assets
Special subsidies for science and technology projects	4,500,000.00		4,500,000.00			Related to assets
Office building demolition compensation		7,229,894.67			7,229,894.67	Related to assets
Land compensation		4,686,650.20			4,686,650.20	Related to assets
Construction of the Dalailong Railway Project		30,000,000.00			30,000,000.00	Related to assets
Governmental subsidy of Tengchou land		7,000,000.00			7,000,000.00	Related to assets
Central European Train Express Subsidy		16,235,000.00		16,235,000.00		Related to income
Others	5,212,301.91		438,564.57		4,773,737.34	

Note 49 Other non-current liabilities

Items	Closing balance	Opening balance
Jiaxing Binhai Holding Group Co., Ltd. Investment Loan	41,000,000.00	32,000,000.00
Franchise rights project of Qingdao Bay Bridge	263,742,381.11	274,692,781.11
Insurance Protection Fund	4,562,251.21	4,103,080.04
Others	9,452,244.09	6,164,723.89
Output VAT to be resold	87,389,079.19	
Total	406,145,955.60	316,960,585.04

Note 50 Paid-in capital

The names of the investors	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Total	20,056,415,293.29	100.00	10,283,420,938.61	7,001,500,668.90	23,338,335,563.00	100.00
Shandong Provincial State-owned Assets Supervision and Administration Commission	20,056,415,293.29	100.00	3,281,920,269.71	7,001,500,668.90	16,336,834,894.10	70.00
Shandong Guohui Investment Co., Ltd.			4,667,667,112.60		4,667,667,112.60	20.00
Shandong Provincial Council for Social Security Fund			2,333,833,556.30		2,333,833,556.30	10.00

Shandong Provincial State-owned Assets Supervision and Administration Commission and Shandong Provincial Council for Social Security Fund issued the “Shandong Provincial State-owned Assets Supervision and Administration Commission, Shandong Provincial Council for Social Security Fund: Revision of the Shandong Hi-Speed Group Co., Ltd. Notice” (Lu State Assets Regulations [2018] No. 3) on January 29, 2018 and the “Shandong Provincial State-owned Assets Supervision and Administration Commission, Shandong Provincial Council for Social Security Fund: “Revision of the Shandong Hi-Speed Group Co., Ltd.” Notice” (Lu State Assets Regulations [2018] No. 26) on April 23, 2018. According to the above notice, the paid-in capital of the company was changed to RMB23,338,335,563.00, of which Shandong Provincial State-owned Assets Supervision and Administration Commission invested RMB16,336,834,894.10, accounting for 70% of share capital, Shandong Guohui Investment Co., Ltd. invested RMB 4,667,667,112.60, accounting for 20% of share capital and Shandong Provincial Council for Social Security Fund invested RMB 2,333,833,556.30, accounting for 10% of share capital.

Note 51 Other equity instruments

1. Perpetual Capital Securities

Financial instruments	Opening balance	Increase	Decrease	Closing balance
Perpetual Capital Securities	20,100,000,000.00	6,900,000,000.00	1,000,000,000.00	26,000,000,000.00
Total	20,100,000,000.00	6,900,000,000.00	1,000,000,000.00	26,000,000,000.00

2. Details of Perpetual Capital Securities

Bond name	Issue date	Par value	Annual interest rate (%)
2014 Fourth Period Medium Notes (perpetual notes)	2014-12-18	2,500,000,000.00	6.40
2015 First Period Medium Notes (perpetual notes)	2015-4-30	2,500,000,000.00	5.87
2015 Second Period Medium Notes (perpetual notes)	2015-6-2	2,500,000,000.00	5.48
2016 Second Period Medium Notes (perpetual notes)	2016-8-23	2,500,000,000.00	3.59
2016 Fourth Period Medium Notes (perpetual notes)	2016-11-3	2,500,000,000.00	3.66
2017 Renewable Corporate Bonds (First Issue)	2017-10-20	2,500,000,000.00	5.22
2017 Renewable Corporate Bonds (Second Issue)	2017-11-6	2,500,000,000.00	5.30
2017 Second Period Medium Notes (perpetual notes)	2017-9-15	2,000,000,000.00	5.20
2018 First Period Medium Notes (perpetual notes)	2018-5-7	2,000,000,000.00	5.57
2018 Second Period Medium Notes (perpetual notes)	2018-5-24	1,500,000,000.00	5.65
2018 Renewable Corporate Bonds (First Issue)	2018-3-22	1,500,000,000.00	5.70
2018 Renewable Corporate Bonds (Second Issue)	2018-3-26	1,500,000,000.00	5.57
Total		26,000,000,000.00	

Note 52 Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Capital (Share capital) premium	2,355,985,219.68	235,391,245.89	693,855,749.03	1,897,520,716.54
Other capital reserves	10,478,355,684.41	554,615,685.69	3,361,439,918.56	7,671,531,451.54
Total	12,834,340,904.09	790,006,931.58	4,055,295,667.59	9,569,052,168.08
Including: state-owned exclusive capital reserve				

The changes in the capital reserve are as follows:

1. According to the Lu State Assets Regulations [2018] No. 3 jointly issued by the Shandong Provincial State-owned Assets Supervision and Administration Commission and the Shandong Provincial Council for Social Security Fund, the company converted the capital reserve of CNY3,281,920,269.71 into the paid-in capital;

2. Due to the increase of minority shareholders' capital of the subsidiary, Shandong Province Road&Bridge Group Co., Ltd., the combined capital reserve increased by CNY235,391,245.89.

3. The subsidiary of the company, Shandong high - speed Jitai Intercity Highway Co., Ltd, Shandong high - speed Jili Intercity Highway Co., Ltd and Shandong high-speed Gaoguang Highway Co., Ltd., respectively, due to the discount capital increment of minority shareholders, shareholder premium acquisition of non-controlling interest and shareholder premium capital increment, the parent company enjoys a partial reduction in the capital reserve (capital premium) of the consolidation level in accordance with the shareholding ratio of CNY693,855,749.03.

4. Due to the disposal of 60% shareholding of the subsidiary, Hubei Wujing Freeway Development Co., Ltd., to the subsidiary, Shandong Hi-speed Company Limited, and the acquisition of 40% shareholding of Hubei Wujing Freeway Development Co., Ltd., the capital reserve increased by CNY373,849,161.52.

5. The company disposal of 3% shareholding of Shandong Province Road&Bridge Group Co., Ltd. in current period. The gain of disposal has been accounted to capital premium which result in the capital reserve increment of CNY57,772,152.06.

6. Shandong Railway Construction Investment Co., Ltd., the company's holding subsidiary, increased capital due to minority shareholders this year, resulting in an increase of CNY47,820,421.94 in capital accumulation at the merger level due to a change in the proportion of equity.

7. The stock options issued by Shandong Province Road&Bridge Group Co., Ltd., the subsidiary of the company, accrued equity incentive expenses this year, resulting in the capital reserve increment of CNY4,403,097.13.

8. The company's other miscellaneous adjustments, such as acquisition of non-controlling interest of Shandong high - speed Hainan Development Co., Ltd., premium capital increment of Yunnan Suomeng high - speed Co., Ltd., led to a decrease of CNY8,748,795.81 in capital reserves.

Note 53 Special reserve

Items	Opening balance	Increase	Decrease	Closing balance
Safety production costs	162,060,381.09	189,152,827.07	140,794,261.78	210,418,946.38
Total	162,060,381.09	189,152,827.07	140,794,261.78	210,418,946.38

Note 54 Surplus reserves

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,137,059,283.25	192,747,167.37		1,329,806,450.62
Total	1,137,059,283.25	192,747,167.37		1,329,806,450.62

The increment of surplus reserve is based on the net profit multiplied by 10% to withdraw the statutory surplus reserve.

Note 55 General risk provision

Items	Closing balance	Opening balance
General risk provision	982,826,854.50	893,161,152.86
Total	982,826,854.50	893,161,152.86

Note 56 Undistributed profit

Items	Current period	Prior period
Opening balance of this period	9,488,687,217.98	7,727,252,076.24
Increase in this period	2,954,961,547.80	2,773,370,079.44
Including: Transfer-in from the current net profit	2,954,961,547.80	2,773,370,079.44
Other adjustment factors		
Decrease in this period	1,959,622,374.83	1,011,934,937.70
Including: The withdrawal of surplus reserves in this period	192,747,167.37	46,355,562.93
The withdrawal of general risk preparation in this period	89,665,701.64	155,398,174.67
Cash dividends distributed in this period	1,544,443,777.64	810,181,200.10
Transfer to paid-in capital		
Other decrease	132,765,728.18	
Closing balance of this period	10,484,026,390.95	9,488,687,217.98

The other decrease in this period is mainly due to factors such as adjustment of the contingent considerations during the acquisition.

Note 57 Operating income and operating costs

1. Listed by category

Items	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
1. Subtotal of main business	58,750,496,762.97	49,390,622,649.28	55,921,637,296.25	45,666,332,874.34
Construction	7,919,505,566.33	6,996,682,037.76	6,547,306,464.77	5,591,901,361.77
Railway freight transportation	2,860,127,844.69	2,666,046,173.99	3,316,271,169.07	2,861,427,405.41
Road and bridge toll	11,173,880,787.90	5,678,739,497.53	11,536,249,319.34	5,299,235,246.93
Ocean transportation	3,250,425,257.78	2,505,799,764.29	2,601,945,943.77	2,059,649,546.62
Real estate sales	2,177,902,209.70	2,432,089,310.02	2,017,441,233.28	1,695,317,622.05
International trade	16,498,968,258.01	16,387,349,920.06	15,267,818,048.68	15,200,744,990.88

Items	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Domestic Trade	11,994,974,862.74	11,055,237,004.32	12,174,741,115.21	11,490,232,537.71
Others	2,874,711,975.82	1,668,678,941.31	2,459,864,002.13	1,467,824,162.97
2. Subtotal of other business	1,017,270,713.00	403,247,732.31	617,282,417.15	202,099,807.71
Marketing materials and accessories	4,156,184.96	1,372,530.85	2,614,307.55	1,912,744.47
Rental business	326,790,673.46	217,383,741.25	112,849,139.88	44,923,904.95
Agency business	12,262,761.64	4,196,828.23	9,746,335.42	4,175,409.80
Others	674,061,092.94	180,294,631.98	492,072,634.30	151,087,748.49
Total	59,767,767,475.97	49,793,870,381.59	56,538,919,713.40	45,868,432,682.05

2. Details of the top 5 current operating income in the construction contract

Contract Items	Total contract price	Total contract cost	Completion progress (%)	Accumulatively recognized contract income	Accumulatively recognized contract cost
Zaohe Expressway General Contract Project	2,441,886,291.00	1,935,430,801.21	31.96%	658,344,172.96	618,630,135.67
Qilu Transportation 2018 Annual Large and Medium Repair Construction Project	651,698,088.00	536,801,392.98	77.84%	437,535,881.44	417,846,766.77
Dongliang Highway Ningliang Section Construction Project	1,546,926,388.02	1,402,020,042.71	30.75%	475,715,963.49	427,376,027.17
Thuanghuang Road Reconstruction Project TJ1 Standard Project	641,686,902.00	613,584,833.05	47.31%	303,550,558.30	290,256,849.64
Jinan-Taian Expressway Project General Contract Project	1,558,294,394.75	1,000,901,459.98	33.57%	352,748,785.35	336,150,259.58
Total	6,840,492,063.77	5,488,738,529.93		2,227,895,361.54	2,090,260,038.83

Continued:

Contract Items	Accumulatively recognized gross profit	Amount already settled	Cumulative receipts	Contract income recognized in this period	Contract cost recognized in this period
Zaohe Expressway General Contract Project	39,714,037.29	614,471,933.00	676,845,119.33	586,668,234.83	550,460,712.20
Qilu Transportation 2018 Annual Large and Medium Repair Construction Project	19,689,114.67	365,889,943.00	362,704,595.00	437,535,881.44	417,846,766.77

Contract Items	Accumulatively recognized gross profit	Amount already settled	Cumulative receipts	Contract income recognized in this period	Contract cost recognized in this period
Dongliang Highway Ningliang Section Construction Project	48,339,936.32	546,914,385.00	462,693,070.00	288,805,819.51	385,862,524.23
Thuanghuang Road Reconstruction Project TJ1 Standard Project	13,293,708.66	305,450,497.00	370,672,023.00	282,415,514.65	277,749,292.57
Jinan-Taian Expressway Project General Contract Project	16,598,525.77	307,747,242.00	371,771,383.20	307,438,388.44	293,861,598.31
Total	137,635,322.71	2,140,474,000.00	2,244,686,190.53	1,902,863,838.87	1,925,780,894.08

Note 58 Net interest income

Items	Amount for the current period	Amount for the prior period
I. Interest income	8,895,595,386.12	8,370,267,406.61
1. Loans and advances	3,649,777,110.16	3,429,094,878.23
Of which: Personal loans and advances	715,388,263.43	491,225,824.88
Company loans and advances	2,667,676,371.26	2,733,714,852.39
Discounted bills	266,712,475.47	204,154,200.96
2. Interest income on bonds and others	4,233,468,760.85	3,998,290,913.90
3. Financial assets bought for re-sale	104,117,498.15	257,644,660.35
4. Deposit with central bank	250,571,415.32	267,078,320.02
5. Deposit with other banks	29,124,378.39	30,341,992.31
6. Rental interest income	594,507,309.75	370,623,287.32
7. Funds lent	34,028,913.50	17,193,354.48
II. Interest expense	5,313,690,092.41	4,686,209,050.49
Absorb deposits	2,188,570,161.52	2,235,588,533.46
Interbank and other financial institutions	243,472,961.51	163,015,330.42
Discounted	29,910,548.83	41,850,085.68
Bonds payable	2,058,976,756.36	1,201,534,090.96
Financial Assets Sold for Repurchase	352,000,512.07	741,529,088.55
Borrow from the central bank	77,230,273.50	70,644,822.93
Borrow funds	363,528,878.62	232,047,098.49
III. Net interest income	3,581,905,293.71	3,684,058,356.12

Note 59 Earned premium

Items	Amount for the current period	Amount for the prior period
Premium income	1,710,112,173.07	1,496,567,092.97
Re-premium income	26,956,113.74	28,435,211.91
Less: the ceded-out premium	90,092,262.05	84,663,918.36
Less: withdraw of unearned premium reserve	52,120,186.84	48,240,271.47
Total	1,594,855,837.92	1,392,098,115.05

Note 60 Net handling charges and commissions income

Items	Amount for the current period	Amount for the prior period
I. Amount incurred in Weihai City		
1. Handling charges and commissions income	368,625,909.10	332,233,748.13
—Charges of settlement and liquidation	26,315,992.31	30,040,881.35
—Charges of agency business	48,964,916.75	66,807,651.52
—Charges of notes receivable business	23,809,181.65	30,242,601.11
—Charges of bank cards	19,724,675.76	10,463,156.86
—Charges of consultancy and consultation	111,050,277.21	107,826,409.63
—Commissions of custody and other entrusted business	3,757,652.07	5,725,702.04
—Others	135,003,213.35	81,127,345.62
2. Handling charges and commissions expenses	297,065,605.66	99,522,117.45
—Expenses of settlement charges	10,303,643.32	6,975,249.78
—Expenses of bank card charges	25,402,581.88	20,926,618.43
—Expenses of structured deposit	246,472,037.26	53,782,462.39
—Other expenses	14,887,343.20	17,837,786.85
3. Net handling charges and commissions	71,560,303.44	232,711,630.68
II. Amount incurred in Taishan Property and Casualty Insurance Company Limited in this year:		
Handling charges and commissions expenses	198,658,059.20	167,866,632.06
—Enterprise property insurance	5,910,529.48	5,688,338.31
—Property insurance for home	92,359.06	198,816.86

Items	Amount for the current period	Amount for the prior period
—Motor vehicle insurance	172,658,176.55	144,481,951.06
—Project insurance	1,341,097.82	3,922,849.99
—Liability insurance	4,025,411.62	2,943,877.86
—Credit guarantee insurance	35,564.83	101,395.05
—Vessel insurance	302,384.45	407,367.90
—Cargo transportation insurance	1,298,425.62	292,241.97
—Special risk insurance	1,913.01	9,957.11
—Short-term health insurance	1,597,383.74	1,050,781.23
—Accidental injury insurance	11,394,813.02	8,769,054.72
Total net handling charges and commissions income	-127,097,755.76	64,844,998.62

Note 61 Net payments for insurance claims

1. Compensation expenses listed according to insurance contracts

Items	Amount for the current period	Amount for the prior period
Compensation expenses	943,842,999.49	787,802,015.34
Reinsurance expense	19,780,396.42	21,206,291.93
Subtotal	963,623,395.91	809,008,307.27
Less: amortized compensation expenses	91,014,831.93	33,065,112.92
Total	872,608,563.98	775,943,194.35

Note 62 Net provision for insurance contracts

1. Withdrawal of policy reserve listed according to insurance contracts

Items	Amount for the current period	Amount for the prior period
Withdrawal of outstanding loss reserve	47,256,017.11	59,964,760.70
- Original insurance contracts	48,200,637.36	70,166,548.84
- Re-insurance contracts	-944,620.25	-10,201,788.14
Total	47,256,017.11	59,964,760.70

2. Withdrawal of outstanding loss reserve of original insurance contracts listed according to constitution contents

Withdrawal of outstanding loss reserve	Amount for the current period	Amount for the prior period
The outstanding loss reserve for which has happened and has been reported	53,546,854.91	37,758,769.85
The outstanding loss reserve for which has happened and has not been reported	-7,791,940.16	25,224,981.94
Claim expense reserve	2,445,722.61	7,182,797.05
Total	48,200,637.36	70,166,548.84

3. Withdrawal of outstanding loss reserve of Re-insurance contracts listed according to constitution contents

Items	Amount for the current period	Amount for the prior period
The outstanding loss reserve for which has happened and has been reported	-2,215,958.97	-6,273,637.00
The outstanding loss reserve for which has happened and has not been reported	1,112,213.04	-3,505,227.69
Claim expense reserve	159,125.68	-422,923.45
Total	-944,620.25	-10,201,788.14

Note 63 Amortized reserve provision for insurance contract

Items	Amount for the current period	Amount for the prior period
Amortized reserve for outstanding losses	7,258,654.37	34,591,959.85
- Original insurance contracts	7,218,159.86	34,637,052.61
- Re-insurance contracts	40,494.51	-45,092.76
Total	7,258,654.37	34,591,959.85

Note 64 Withdrawal of premium reserve

Items	Amount for the current period	Amount for the prior period
Plant Insurance	-21,674,896.77	-1,369,037.73
Breeding insurance	-551,749.14	92,122.05
Forest insurance	-443,628.72	332,512.30
Total	-22,670,274.63	-944,403.38

Note 65 Reinsurance expenses

Items	Amount for the current period	Amount for the prior period
Reinsurance expenses	-18,860,051.67	-11,950,647.48
Total	-18,860,051.67	-11,950,647.48

Note 66 Selling expenses

Items	Amount for the current period	Amount for the prior period
1. Packing charges	3,727,244.48	2,502,786.69
2. Transportation charges	147,371,450.64	87,951,165.07
3. Handling charges	845,128.16	1,416,400.76
4. Charges for storage and preservation	3,983,003.59	3,851,963.18
5. Insurance expenses	28,326,031.17	497,642.77
6. Exhibition fees	12,301,314.11	14,357,437.05
7. Advertising fees	12,458,790.62	13,577,402.71
8. Sales service fees		19,853,240.14
9. Employee salaries	1,169,269,342.72	1,231,787,166.90
10. Operational funds	390,686,593.90	424,370,115.34
11. Commission sale charges	65,004,216.25	28,734,239.92
12. Depreciation expenses	77,824,348.45	81,001,258.25
13. Repair charges	14,843,062.71	5,640,402.72
14. Sample and product losses	-7,927,471.77	-9,146,390.92
15. Others	492,607,784.66	495,409,953.03
Total	2,411,320,839.69	2,401,804,783.61

Note 67 Administrative expenses

Items	Amount for the current period	Amount for the prior period
1. Employee salaries	1,691,581,787.20	1,432,645,627.43
2. Insurance expenses	598,164.31	570,929.37
3. Depreciation expenses	149,054,607.70	132,264,304.28
4. Repair charges	13,750,928.26	18,177,358.96
5. Amortization of intangible assets	59,630,548.50	31,583,136.40
6. Inventories losses	-12,249,642.29	-15,304,991.93
7. Business entertainment expenses	68,376,068.80	72,284,886.98
8. Travel expenses	50,409,203.65	50,642,522.10
9. Office expenses	45,146,737.47	29,076,554.99
10. Conference expenses	4,573,381.28	3,738,548.37
11. Legal costs	5,704,361.10	2,570,277.31
12. Intermediary organs	127,663,833.47	103,418,590.36

Items	Amount for the current period	Amount for the prior period
Including: annual final accounts audit fee	6,583,711.65	6,969,709.65
13. Consulting fees	59,817,875.61	101,784,650.20
14. Technology transfer expenses	1,976,708.36	1,988,469.73
15. Board of directors' expenses	438,994.81	501,889.47
16. Others	441,999,811.59	421,833,658.26
Total	2,708,473,369.82	2,387,776,412.28

Note 68 Research and development expenses

Items	Amount for the current period	Amount for the prior period
Materials consumption	62,733,620.12	42,575,760.22
Technology service expenses	17,052,503.05	38,025,003.20
Labor expenses	35,779,337.29	29,177,055.25
Equipment maintenance expenses	3,002,199.00	1,031,118.34
Amortization of intangible assets	5,870,948.05	2,208,441.74
Depreciation expenses	7,883,095.13	42,751,224.62
Employee salaries	88,187,210.24	53,119,841.03
Rental expenses	22,788.79	1,493,588.39
Others	21,949,426.65	13,238,373.41
Total	242,481,128.32	223,620,406.20

Note 69 Financial expenses

Items	Amount for the current period	Amount for the prior period
Interest expense	7,325,225,321.72	6,317,337,429.31
Less: Interest income	1,465,008,253.19	1,392,507,730.03
Foreign exchange losses		8,921,946.27
Less: Foreign exchange gains	130,562,002.72	
Others	226,702,667.92	249,209,183.07
Total	5,956,357,733.73	5,182,960,828.62

Note 70 Assets impairment loss

Items	Amount for the current period	Amount for the prior period
Bad debt loss	583,924,072.50	326,662,209.19
Impairment loss of inventory	123,489,621.84	144,047,057.11

Items	Amount for the current period	Amount for the prior period
Impairment loss of available-for-sale financial assets	42,963,707.79	11,638,056.61
Impairment loss of fixed assets	7,965,028.00	-776,614.63
Impairment loss of Construction materials		138,162.37
Impairment loss of Construction in Process		10,515,833.32
Impairment loss of intangible assets	18,894,787.56	25,340,596.74
Other impairment loss	1,296,670,281.45	461,726,756.65
Total	2,073,907,499.14	979,292,057.36

Note 71 Income from disposal of non-current assets

Items	Amount for the current period	Amount for the prior period
Gains from disposal of fixed assets	2,020,098.39	18,574,404.40
Less: Loss from disposal of fixed assets	6,345,532.97	39,607,460.29
Total	-4,325,434.58	-21,033,055.89

Note 72 Change in Fair Value of assets

Sources of change in Fair Value of assets	Amount for the current period	Amount for the prior period
Financial assets measured as per fair value whose variation is calculated into profit and loss	-286,938,841.40	-111,407,614.16
Total	-286,938,841.40	-111,407,614.16

Note 73 Investment income

Sources of investment income	Amount for the current period	Amount for the prior period
Income from long-term equity investment calculated by using equity method	453,439,739.37	245,790,483.83
Investment income from disposal of long-term equity investment	1,331,268,521.33	856,673,223.00
Investment income of financial assets measured as per fair value whose variation is calculated into current profit and loss within the holding period	20,208,053.74	13,410,733.03
Investment income from disposal of financial assets measured as per fair value whose variation is calculated into current profit and loss.	194,720,153.52	947,036,539.20
Investment income from held-to-maturity investment within the holding period	8,423,103.89	13,881,077.69
Investment income from available-for-sale financial assets within the holding period	3,109,161,037.50	561,848,464.77
Investment income from disposal of available-for-sale financial assets	487,190,249.57	10,819,885.36

Sources of investment income	Amount for the current period	Amount for the prior period
After losing control, the gain from remaining equity re-measured at fair value	1,147,055,474.71	
Others	219,577,366.42	180,341,232.88
Total	6,971,043,700.05	2,829,801,639.76

Note 74 Other income

Items	Amount for the current period	Amount for the prior period
Demolition compensation	10,000,000.00	17,401,997.46
Honghe Branch Toll Revenue (Honghe Section)	130,832,038.37	120,482,683.72
City foreign economic and trade development guidance funds		2,012,500.00
Special funds for central foreign economy and trade		244,300.00
Financial subsidies, award funds	124,106,187.67	380,940,243.29
Refund of taxes	9,979,801.98	9,723,801.92
Provincial Service Outsourcing Development Funds		2,470,800.00
Qingdao Bay Bridge Franchise Project	10,950,400.00	10,092,100.00
Jiaozhou Bay Highway Compensation Income	50,000,000.00	89,616,639.27
Qingdao Development Beer Festival Jiaozhou Bay Bridge Pass Fees Free Compensation	38,106,796.12	
Subsidy of Shandong High-speed Jinan Southeast Export Project Construction Management Office Project High-speed Ring Road Connection Line	50,193,333.30	
Railway Construction Investment Subsidy	228,756,400.98	
Total	652,924,958.42	632,985,065.66

Note 75 Non-operating income

Items	Amount for the current period	Amount for the prior period
1. Litigation compensation	60,020,082.11	52,077,015.82
2. Governmental grants	59,767,235.28	27,941,131.41
3. Income from highway assets and highway property compensations	32,618,924.61	30,253,529.76
4. Equity acquisition		138,311,461.24
5. Gain from disposal of non-current assets	3,074,042.48	
6. Accrued liabilities reverse	50,971,046.89	
7. Others	119,258,643.72	157,134,472.50

Items	Amount for the current period	Amount for the prior period
Total	325,709,975.09	405,717,610.73

Details of governmental grants:

Items	Amount for the current period	Amount for the prior period
Financial subsidies, award funds	39,151,313.28	27,941,131.41
Greenhouse reconstruction compensation	3,815,922.00	
Registered fund pay-in reward	16,800,000.00	
Total	59,767,235.28	27,941,131.41

Note 76 Non-operating expenses

Items	Amount for the current period	Amount for the prior period
1.Losses from disposal of non-current assets	757,975,274.07	506,477,910.35
2.Loss from non-monetary asset exchange	163,020.09	4,114,605.09
3.Expenditures of compensations, liquidated damages and penalties	54,371,206.53	19,867,173.16
4.Non-recurring loss	14,371.40	74,512.15
5.Donations	16,787,662.20	933,447.00
6.Others	59,941,458.54	31,963,673.92
Total	889,252,992.83	563,431,321.67

Note 77 Income tax expense

Items	Amount for the current period	Amount for the prior period
Income tax expense calculated according to the tax law and relevant provisions	1,823,409,776.07	2,461,332,927.60
Adjustment of deferred tax income	-609,748,545.81	-622,243,633.62
Total	1,213,661,230.26	1,839,089,293.98

Note 78 Other comprehensive income

1. All Items of other comprehensive incomes and the influence and transfer-in loss and profit conditions of their income taxes

Items	Amount for the current period		
	Pretax amount	Income tax	Net amount after tax
I. Other comprehensive income that can't be reclassified and calculated into profit and loss in the future	160,313,249.31		160,313,249.31

Items	Amount for the current period		
	Pretax amount	Income tax	Net amount after tax
1.Variation of net liability or net asset of re-measured defined benefit plans			
2.Share in the other comprehensive income of the invested unit that can't be reclassified and calculated into profit and loss during future fiscal period by using equity method	160,313,249.31		160,313,249.31
II. Other comprehensive income that will be reclassified and calculated into profit and loss	-104,654,538.78	44,205,200.64	-148,859,739.42
1. Share in the other comprehensive income of the invested unit that will be reclassified and calculated into profit and loss when complying with specified conditions during future fiscal period by using equity method	166,553,486.95		166,553,486.95
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal	166,553,486.95		166,553,486.95
2.Profit or loss formed from the change of fair value of the available-for-sale financial assets	-78,661,199.30	44,205,200.64	-122,866,399.94
Less: current transfer-in loss and profit of the other consolidated income transferred in last period	-16,259,116.69		-16,259,116.69
Subtotal	-62,402,082.61	44,205,200.64	-106,607,283.25
3.The available-for-sale financial assets profits and loss held to maturity for re-classification			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
4.The effective part of the hedging gains or loss of cash flow			
The adjusted amount transferred in the original recognition amount of the hedged Items			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
5.Translation balance of foreign currency statement	-208,805,943.12		-208,805,943.12
Less: after-tax net amount of current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal	-208,805,943.12		-208,805,943.12
III. Other comprehensive income	21,026,879.06	9,573,369.17	11,453,509.89

Continued:

Items	Amount for the prior period		
	Pretax amount	Income tax	Net amount after tax
I. Other comprehensive income that can't be reclassified and calculated into profit and loss in the future			
1. Variation of net liability or net asset of re-measured defined benefit plans			
2. Share in the other comprehensive income of the invested unit that can't be reclassified and calculated into profit and loss during future fiscal period by using equity method			
II. Other comprehensive income that will be reclassified and calculated into profit and loss	-137,574,890.73	-27,372,896.29	-110,201,994.44
1. Share in the other comprehensive income of the invested unit that will be reclassified and calculated into profit and loss when complying with specified conditions during future fiscal period by using equity method	15,056,999.75		15,056,999.75
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal	15,056,999.75		15,056,999.75
2. Profit or loss formed from the change of fair value of the available-for-sale financial assets	-109,491,585.15	-27,372,896.29	-82,118,688.86
Less: current transfer-in loss and profit of the other consolidated income transferred in last period	9,597,549.23		9,597,549.23
Subtotal	-119,089,134.38	-27,372,896.29	-91,716,238.09
3. The available-for-sale financial assets profits and loss held to maturity for re-classification			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
4. The effective part of the hedging gains or loss of cash flow			
The adjusted amount transferred in the original recognition amount of the hedged items			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
5. Translation balance of foreign currency statement	-33,542,756.10		-33,542,756.10
Less: after-tax net amount of current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal	-33,542,756.10		-33,542,756.10
III. Other comprehensive income	-137,574,890.73	-27,372,896.29	-110,201,994.44

Note 79 Consolidated statement of cash flow

1. Reconciliation of net profit to cash flow from operating activities:

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	5,873,703,899.33	4,816,178,603.72
Add: preparation for the impairment of assets	2,073,907,499.14	979,292,057.36
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	2,575,586,003.95	2,694,862,862.99
Intangible assets amortization	2,122,860,364.31	1,737,824,485.58
Long-term unamortized expenses amortization	279,234,520.28	385,462,649.27
Loss from disposal of fixed assets, intangible assets and other long term assets(benefit is shown in "--")	4,325,434.58	21,033,055.89
Loss from discarding of fixed assets(benefit is shown in "--")	754,901,231.59	506,477,910.35
Fair value change loss (benefit is shown in "--")	286,938,841.40	-111,407,614.16
Financial fee (benefit is shown in "--")	9,456,295,284.21	6,401,263,165.12
Investment loss (benefit is shown in "--")	-11,327,991,382.92	-2,829,801,639.76
Decrease of deferred tax assets (increase is shown in "--")	-934,643,610.48	-691,638,122.50
Increase of deferred tax liability (decrease is shown in "--")	305,144,164.71	87,255,120.62
Decrease of inventories (increase is shown in "--")	-68,208,718.98	-1,517,091,873.26
Decrease of operational receivables (increase is shown in "--")	-12,880,535,846.19	-20,856,724,189.07
Increase of operational payables (decrease is shown in "--")	9,364,417,690.85	22,497,541,644.09
Others		
Net amount of cash flow generated in operating activities	7,885,935,375.78	14,120,528,116.24
2. Major investment and financing activities not involved cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under financial lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	24,175,431,148.50	23,598,301,666.60
Less: opening balance of cash	23,598,301,666.60	27,221,836,859.36
Add: Closing balance of cash equivalents	12,423,384,507.34	14,633,130,000.00
Less: opening balance of cash equivalents	14,633,130,000.00	24,863,421,870.32

Supplementary information	Amount for the current period	Amount for the prior period
Net addition values of cash and cash equivalents	-1,632,616,010.76	-13,853,827,063.08

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	24,175,431,148.50	23,598,301,666.60
Including: cash on hand	195,962,306.33	227,365,803.07
Bank balances that can be used for payment at any time	14,495,308,937.70	16,882,540,111.21
Other cash and bank balances that can be used for payment at any time	1,173,786,930.10	428,130,330.02
Amounts deposited at the central bank that can be used for payment	6,005,725,376.52	3,728,477,687.35
Deposits in other banks	1,040,367,997.85	1,129,494,934.95
Payments about call Loan to Banks	1,264,279,600.00	1,202,292,800.00
II. Cash equivalents	12,423,384,507.34	14,633,130,000.00
Including: bond investment due within three months	12,423,384,507.34	14,633,130,000.00
III. Balance of cash and cash equivalents at the end of the period	36,598,815,655.84	38,231,431,666.60
Including: cash and cash equivalents of parent company or group, which use right is restricted for subsidiaries.		

Note 80 Assets with restricted ownership and use right

Items	Closing balance	Restriction reason
Cash and cash equivalents	15,718,701,763.53	Margin and deposit of central bank reserve
Notes Receivable	168,000,000.00	Pledged loan
Account Receivable	161,522,271.28	Pledged loan
Inventory	3,409,036,662.07	Pledged loan
Fixed assets	7,948,122,363.41	Pledged loan, Mortgage loan and financial leasing
Intangible assets	47,385,100,773.12	Pledged loan
Construction in progress	5,735,688,740.11	Pledged loan
Long-term equity investment	1,937,401,334.98	Equity pledge
Investment property	480,672,097.06	Mortgage loan
Held-to-maturity investment	6,153,000,000.00	Pledges of financial assets sold for repurchase, pledge of central bank loan, etc.
Long-term receivables	16,894,956,740.02	Pledged loan
Financial assets available for sale	94,140,327.62	Pledged loan

Items	Closing balance	Restriction reason
Loans and advances	1,325,244,109.00	Pledges of financial assets sold for repurchase
Total	107,411,587,182.20	

IX. Contingencies

(I) As of November 31, 2018, the company has provided loan guarantee for the following entities:

Guarantee unit	Guaranteed unit	Type of guarantee	Amount (ten thousand yuan)
Shandong high-speed Group Co., Ltd	Yankuang Group Co., Ltd	joint liability guarantee	400,000.00
Shandong high-speed Group Co., Ltd	Agricultural Bank of China branch in Shandong Province	pledge	100,000.00
Total			500,000.00

(II) As of December 31, 2018, the Company's pending litigation and arbitration were indicated below

1. Shandong High-speed Road&Bridge Group Co., Ltd. (hereinafter referred to as “Luqiao Shares”), a controlled subsidiary of the Company, as the plaintiff, sued Shandong Bogda Real Estate Co., Ltd. (hereinafter referred to as “Bogeda Company”).

Luqiao shares signed "Construction Project Construction Contract" with Bogda Corporation on the 1-4# Building of the Jinan Dacheng Small Yard Project and the Underground Garage Project on November 19, 2011. Due to Bogda's failure to pay construction costs as agreed (ie, the warranty), and Bogeda's company has other debts, Luqiao shares sued Bogda to Jinan City Lixia District People's Court in 2016. The lawsuit request was that Bogda Company was required to pay CNY1,522,886.70 for construction (warranty money) and overdue interest of CNY169,278.39 and having preferential right to repay the price of 1-4# building of Dacheng Small Yard Project and the underground garage project or the price of the auction; all litigation costs in this case shall be borne by Bogda. On August 18, 2016, the People's Court of Lixia District of Jinan City issued the no. 5502 of the People's Court of Lu (2010) Lu 0102. In September 2018, the court reviewed the claims filed by Luqiao Group, and finally recognized the amount of the debt was CNY35,823,288.24. The Luqiao Group was given priority to the right of repayment.

2. Shandong High-speed Road&Bridge Group Co., Ltd. (hereinafter referred to as “Luqiao Group”), a wholly-owned subsidiary of Shandong High-speed Bridge Group Co., Ltd., a controlling subsidiary of the Company, as the plaintiff sued Guangzhou Daguang Expressway Co., Ltd. (hereinafter referred to as “Guangzhou Daguang”).

Owing to Construction Project Contract Dispute Case with Guangzhou Daguang, Luqiao Group filed a lawsuit to the Guangdong Heyuan Intermediate People's Court (hereinafter referred to as "Guangdong Heyuan Intermediate Court"). At present, Guangdong Heyuan Intermediate People's Court issued the Notice of Accepting Cases (2017) Yue 16 Minchu 47. The case was filed on April 7, 2017 in the Heyuan City Intermediate People's Court of Guangdong Province. The lawsuit was: Requested that Daguang Guangzhou to pay immediately CNY177.82million in construction funds to Luqiao Group and to refund the Luqiao Group's performance bond of CNY27.73million together with overdue penalties of CNY5.93 million, total amount requested is CNY211.48million.

Guangdong Heyuan Intermediate People's Court held trials on September 8 and October 30, 2017 respectively. In the process of hearing, the parties submitted more evidence. Although two court sessions were held, the cross-examination stage was not completed. Due to the Guangzhou Daguang's refusal to accept the project materials submitted by the Luqiao Group, the trial court reopened on December 26, 2017. This session recognized the project cost assessment and appraisal agency and the scope of appraisal. The case entered the project cost evaluation and appraisal stage. On May 18, 2018, the defendant sent the notice on construction settlement meeting of S07 and LM2 to Luqiao Group, and kick off the settlement of the two tenders. As of the reporting date, the settlement work has not been completed.

3. Shandong High-speed Bridge Group Co., Ltd. (hereinafter referred to as "Luqiao Group"), a subsidiary of the Company, as the plaintiff sued Shandong Wenlai Expressway Co., Ltd. (hereinafter referred to as "Wenlai Company ") and Guangzhou Shengzhou Investment Co., Ltd. (hereinafter referred to as "Guangzhou Shengzhou Company").

In April 2015, Luqiao Group and Wenlai Company signed the "Construction Contract for WLS5 Tender Section of Wendeng to Laiyang Expressway (Subgrade, Bridge, Tunnel, Prefabricated) Project in Shandong Province". After the violation of the contract by Guangzhou Shengzhou Company and Wenlai Company, Luqiao Group filed the suit against Brunei Company and Guangzhou Shengzhou Company. The case was filed on April 1, 2017 in the Jinan City Intermediate People's Court of Shandong Province. On April 3, 2018, Luqiao Group received first-instance judgment of the Jinan City Intermediate People's Court, and the prosecutor won the case. The defendant was required to pay the company's performance bond of RMB 37,043,000 and the interest should be calculated from April 1, 2017. At the same time, the relevant loss of Luqiao Group of RMB 23,860,100 should be paid.

On September 22, 2018, the company applied for the court enforcement, and the court issued a notice to assist the execution to the Laiyang Land and Resources Bureau. On February 28, 2019, the Laiyang City Finance Bureau deducted an execution fee of RMB 66,997,800 (including an execution fee of RMB 134,300). After completed relevant procedures, the court will pay RMB 66,863,600 to the company.

4. Taishan Property Insurance Co., Ltd., the company's controlled subsidiary, is hereinafter referred to as "Taishan P&C Insurance." Given the business nature of the insurance business, Taishan P&C Insurance Co., Ltd. will conduct various types of contingent events and lawsuits in its daily business process, including In the litigation as the plaintiff and defendant and in the arbitration as the applicant and the respondent. The adverse effects of the above disputes mainly include claims for insurance policies. Taishan P&C has made provision for possible losses, including preparations for claims such as insurance policies when management consults lawyers' opinions and can reasonably estimate the above litigation results. No provision is made for pending lawsuits or possible defaults that cannot reasonably estimate the outcome or the management believes that the probability of loss is minimal.

(III) As of December 31, 2018, contingent liabilities arising from other matters

1. Loan commitment

Items	Closing balance	Opening balance
Banker's acceptance bill	21,306,915,744.90	25,721,382,646.76
Issuance of letter of guarantee	269,295,986.89	393,394,345.38
Issuance of letter of credit	2,046,155,179.77	2,377,060,335.74
Commitment of business card unused	518,202,401.79	253,947,283.36
Total	24,140,569,313.35	28,745,784,611.24

2. Capital expenditure commitment

Items	Closing balance	Opening balance
Fixed asset	7,240,000.00	6,597,000.00
Contracts signed but not yet performed	7,240,000.00	6,597,000.00
Contracts approved but not yet signed		
Intangible assets	15,387,000.00	17,751,000.00
Signed but did not perform the contract	15,387,000.00	17,751,000.00
Approved but not signed contract		
Total	22,627,000.00	24,348,000.00

3. Operating lease commitment

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	93,553,661.35	118,869,144.88
1 to 2 years (including 2 years)	78,707,494.90	113,402,760.04

Items	Closing balance	Opening balance
2 to 3 years (including 3 years)	65,952,174.17	106,244,687.93
Over 3 years	178,033,265.38	233,514,310.47
Total	416,246,595.80	572,030,903.32

.4. Commissioned business

Items	Closing balance	Opening balance
Entrusted deposits	18,179,848,677.24	21,398,977,534.61
Entrusted loans	18,179,848,677.24	21,398,977,534.61
Entrusted funds for money management	18,018,118,607.63	12,557,521,900.00
Entrusted assets for money management	22,086,331,428.75	12,464,621,137.00

(IV) As of December 31, 2018, the company didn't need to provide a description for the contingent asset.

(V) Besides the above contingencies, as of 31 December 2018, the Company had no other significant contingencies.

X. Events after the balance sheet date

1. On March 13, 2019, the 8th meeting of the 8th Board of Directors of Shandong Expressway Bridge Group Co., Ltd., a controlled subsidiary of the company, reviewed and passed the "Company's 2018 Profit Distribution Preplan", and it intends to distribute RMB 0.75 (including tax) for every 10 shares for all shareholders in 2018, no bonus stock and no capitalization of capital reserve.

2. (1) From January 1, 2019 to March 5, 2019 Weihai Commercial Bank, a holding Subsidiary of the company, issued 15 short-term financing bonds after the balance sheet date to the date of issuance of the report, with a total issuance of RMB13.43 billion. The details are as follows:

Bond Name	Par value	Issued Date	Bond Period	Issue Amount
19Weihai Commercial BankCD001	20,000,000.00	2019-01-16	A month	19,949,500.00
19Weihai Commercial BankCD002	180,000,000.00	2019-01-16	3 months	178,700,220.00
19Weihai Commercial BankCD003	1,700,000,000.00	2019-01-17	A month	1,695,763,600.00
19Weihai Commercial BankCD004	1,280,000,000.00	2019-01-18	A month	1,276,855,040.00
19Weihai Commercial BankCD005	990,000,000.00	2019-01-18	3 months	982,730,430.00
19Weihai Commercial BankCD006	950,000,000.00	2019-01-21	A month	947,665,850.00
19Weihai Commercial BankCD007	1,390,000,000.00	2019-01-21	3 months	1,379,748,750.00

Bond Name	Par value	Issued Date	Bond Period	Issue Amount
19Weihai Commercial BankCD008	150,000,000.00	2019-01-22	3 months	148,905,900.00
19Weihai Commercial BankCD009	1,000,000,000.00	2019-01-22	3 months	992,706,000.00
19Weihai Commercial BankCD010	490,000,000.00	2019-01-24	A month	488,757,360.00
19Weihai Commercial BankCD011	550,000,000.00	2019-01-24	3 months	545,988,300.00
19Weihai Commercial BankCD012	1,150,000,000.00	2019-01-24	6 months	1,132,866,150.00
19Weihai Commercial BankCD013	620,000,000.00	2019-02-14	A month	618,813,320.00
19Weihai Commercial BankCD014	1,960,000,000.00	2019-02-14	3 months	1,946,474,040.00
19Weihai Commercial BankCD015	1,000,000,000.00	2019-02-15	6 months	985,823,000.00
Total	13,430,000,000.00			13,341,747,460.00

3. According to the resolution of the 31th meeting of the 5th Board of Directors of the Company's holding subsidiary, Shandong High-speed Co., Ltd. on March 28, 2019, based on the total capital of 4,811,165,857 shares, a cash dividend of RMB 2.21 (tax included) will be distributed to all shareholders for every 10 shares.) A total of CNY1,063,267,654.40 was allocated, and the remaining undistributed profits were carried forward in subsequent years. In 2018, no capital reserve will be converted into share capital

4. The company issued a period of ultra-short-term financing bonds and two renewable corporate bonds after the balance sheet date to the report issue date, with a total issuance of RMB 3.5 billion.

Bond name	Code	Issue date	Bond Period	Issue amount
19 Lu High-speed SCP001	011900371	2019-02-18	180days	2 billion
19 Lu High-speed SCP002	011900765	2019-03-26	180days	1.5 billion

5. Except for the above matters, as of the date of approval of the financial statements, the company has not had any non-adjustment events in the events after the major balance sheet date that affect the reading and understanding of this financial statements.

XI. Relation and transaction between related parties

(I) Information about the parent company of the Company

Unit name	Registered address	Business nature	Registered capital (RMB'0000)	Shareholding ratio of parent company in the unit (%)	Voting power ratio of parent company in the unit (%)
Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Jinan City, Shandong Province	Government agency	2,333,833.5563	70.00	70.00

(II) Subsidiaries of the Company

The information of the subsidiaries is indexed to "Note VII, business combination and consolidated financial statements".

(III) Associates and joint ventures

The information of the associates and joint ventures is indexed to "Note VIII (17) Long-term equity investment".

(IV) Related party

1. Related party transactions

Type of transaction	Related parties	Relationship	Amount for the current period	The proportion to the similar transactions (%)	Unsettled amount	Bad debt provision of unsettled subject	Pricing policy
1. Goods purchased or services received							
Interest expense	Weihai Finance Bureau	Other related party	61,224,103.12	1.15			Market price
Interest expense	Other entities	Other related party	4,245,645.51	0.08			Market price
Services accepted	HYUNDAI FAREAST CO., LIMITED	Joint venture	70,350,692.78	0.36	21,275,920.00		Market price
2. Goods sales or services provided							
Goods sales	Qingdao Aowei Junshan Trading Co., Ltd.	Other related party	228,395,443.29	1.90	46,503,177.62		Market price
Goods sales	Shandong Expressway Aowei Junshan Automotive Supply Chain Management Co., Ltd.	Joint venture	186,682,875.25	1.56			Market price
Services provided	Shandong Railway Development Fund Co., Ltd.	Joint venture	132,528,301.87	4.61			Market price
Services provided	Jining Highway Administration	Other related party	39,518,254.00	0.56	17,640,000.00		Market price
Services provided	Inner Mongolia Luqiao Real Estate Co., Ltd.	Joint venture	38,775,800.42	0.14			Market price
Interest income	Other entities	Other related party	48,620,597.36	0.55			Market price
Services provided	Other entities	Other related party	40,892,409.24	0.15			Market price
Guarantee fee	Other entities	Other related party	2,120,609.23	0.13			Market price

Type of transaction	Related parties	Relationship	Amount for the current period	The proportion to the similar transactions (%)	Unsettled amount	Bad debt provision of unsettled subject	Pricing policy
Commission income	Other entities	Other related party	199,982.89	0.05			Market price

3.Others

Interest income	Shandong Ocean Engineering International Co., Ltd.	Other related party	73,617,841.73	5.03			Market price
Interest income	NORTHERN OFFSHORE LIMITED	Other related party	13,100,708.00	0.89			Market price
Interest income	Other entities	Other related party	11,381,637.31	0.78			Market price

2. Amount due to/from related parties

(1) Amount due from related parties

Related parties	Items	Closing balance	Provision for bad debt
Ziguang Jietong Technology Co., Ltd.	Receivables	85,991,826.94	
China Railway 23rd Bureau Group First Engineering Co., Ltd.	Receivables	53,764.00	
Sinopec Sales Co., Ltd	Receivables	2,484,381.58	
Shandong Taishan Tourism Group Co., Ltd.	Receivables	8,621,250.00	
Qingdao Aowei Junshan Trading Co., Ltd.	Receivables	46,503,177.62	
Shandong Ocean Engineering International Co., Ltd.	Receivables	8,974,786.47	
NORTHERNOFFSHORELIMITED	Receivables	2,594,853.68	
Jining Highway Administration	Receivables	17,640,000.00	
Shandong Ji Zou Highway Co., Ltd.	Receivables	200,000.00	
Tengzhou Xinao Energy Logistics Co., Ltd.	Receivables	29,180,939.82	
Shandong Changtong Group Co., Ltd.	Receivables	28,181,268.82	
HYUNDAI FAREAST CO., LIMITED	Receivables	21,275,920.00	
Qingdao Life Business Co., Ltd.	Receivables	11,144,474.14	
Sinopec Sales Co., Ltd	Prepayment	3,485,126.08	
China Construction Installation Engineering Co., Ltd.	Prepayment	3,926,090.92	

Related parties	Items	Closing balance	Provision for bad debt
Shandong Railway Development Fund Co., Ltd.	Other receivables	3,908,140,289.92	
Jinan Liyuan Real Estate Co., Ltd.	Other receivables	1,077,339,482.84	
Shandong Ocean Engineering International Co., Ltd.	Other receivables	864,386,452.44	
NORTHERN OFFSHORE LIMITED	Other receivables	137,665,051.16	
Shanghai Zhida Technology Group Co., Ltd.	Other receivables	81,221,256.49	
Shandong Taishan Tourism Group Co., Ltd.	Other receivables	70,000,000.00	
UNITED PARTNERS ASIACORPORATION	Other receivables	26,463,510.00	
Ziguang Jietong Technology Co., Ltd.	Other receivables	7,015,405.25	
Shandong Blue Economic Asset Management Co., Ltd.	Other receivables	6,500,000.00	
Shandong Ji Zou Highway Co., Ltd.	Other receivables	4,000,000.00	
SUN MARINE OFFSHORE SOLUTIONS INC.	Other receivables	3,996,967.20	
National Development Fund Co., Ltd.	Other receivables	3,630,000.01	
Tengzhou Xinao Energy Logistics Co., Ltd.	Other receivables	3,329,196.00	
Jining Highway Survey and Design Institute	Other receivables	1,454,180.21	
Qingdao Aowei Junshan Trading Co., Ltd.	Other receivables	813,720.00	
Inner Mongolia Luqiao Real Estate Co., Ltd.	Other receivables	532,627.13	
Qingdao Blue Ocean Engineering Partnership (Limited Partnership)	Long-term receivables	35,000,000.00	

(2) Amount due to related parties

Related parties	Items	Closing balance
Shandong Luqiao Municipal Engineering Company	Payable	92,452,059.32
Shandong Gezhouba Jitai Expressway Co., Ltd.	Advances received	64,901,141.00
Qingdao Transportation Development Investment Center	Other payable	233,000,000.00
Yantai Construction Development Group Co., Ltd.	Other payable	132,355,735.29
Rizhao Traffic Development Investment Co., Ltd.	Other payable	117,000,000.00
Shanghai Zhida Technology Group Co., Ltd.	Other payable	31,500,000.00
Shandong Express Investment Fund Management Center (Limited Partnership)	Long-term borrowing	775,000,000.00
Shandong Expressway Urbanization Fund Management Center (Limited Partnership)	Long-term borrowing	1,310,000,000.00

(3) Financial subsidiary, Weihai Commercial Bank, related party transactions

Related parties	Items	Closing balance
Shangao International Commercial Factoring (Shenzhen) Co., Ltd. Jinan Branch	Loans and advances	500,000,000.00
Haodangjia Group Co., Ltd.	Loans and advances	350,000,000.00
Weihai Tianan Real Estate Development Co., Ltd.	Loans and advances	152,000,000.00
Shandong Express Logistics Supply Chain Co., Ltd.	Loans and advances	100,000,000.00
Weihai Tianan Construction Group Co., Ltd.	Loans and advances	100,000,000.00
Rongcheng Haisheng Paper Co., Ltd.	Loans and advances	36,000,000.00
Weihai Finance Bureau	Deposits	3,985,514,512.16
Shandong Global Fishing Gear Co., Ltd.	Deposits	218,023,443.98
Weihai Blue Star Real Estate Development Co., Ltd.	Deposits	76,256,036.67
Jinan City Central District Hairong Microfinance Co., Ltd.	Deposits	32,925,491.63
China National Heavy Duty Truck Group Qingdao Heavy Industry Co., Ltd.	Deposits	30,018,237.45
Shangao International Commercial Factoring (Shenzhen) Co., Ltd. Jinan Branch	Deposits	18,448,390.69
Weihai Xinghai Trading Co., Ltd.	Deposits	13,475,714.76
Haodangjia Group Co., Ltd.	Deposits	10,413,096.15
Weihai Finance Bureau	Interest payable	200,076,813.35

XII. Notes of main financial statements of the company

1. Notes receivable and Accounts receivable

Items	Closing balance	Opening balance
Notes receivable		
Accounts receivable	11,989,363.14	15,455,977.40
Total	11,989,363.14	15,455,977.40

(I) Accounts receivable

Types	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually				
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	11,989,363.14	100.00		
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually				
Total	11,989,363.14	100.00		

Continued:

Types	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually				
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	15,455,977.40	100.00		
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually				
Total	15,455,977.40	100.00		

(1) Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics.

1) Accounts receivable with provision for bad debt according to other portfolio basis.

Combination name	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision for bad debt	Book balance	Proportion (%)	Provision for bad debt
Risk-free group	11,989,363.14			15,455,977.40		
Total	11,989,363.14			15,455,977.40		

(2) Details of accounts receivable at the end of the period

Name of debtor	Book balance	Proportion (%)	Provision for bad debt
Angola Urban Construction Department	11,989,363.14	100.00	
Total	11,989,363.14	100.00	

2. Other receivables

Items	Closing balance	Opening balance
Interest receivable	196,110,814.78	
Dividends receivable		4,319,565.88
Other receivables	30,161,692,306.36	21,677,500,496.95
Total	30,357,803,121.14	21,681,820,062.83

(I) Interest receivable

Items	Closing balance	Opening balance
Entrusted Loan	196,110,814.78	
Total	196,110,814.78	

(II) Dividends receivable

Items	Closing balance	Opening balance	Reason for failure to collect	Whether impaired and basis for judgment
Dividends receivable aged within 1 year		4,319,565.88		
Shandong high - speed Light Control Industry Investment Fund Management Limited		4,319,565.88		
Total		4,319,565.88		

(III) Other receivables

Types	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivable with significant single amounts and for which bad debt provision are drawn individually	219,715,931.00	0.72	219,715,931.00	100.00
Other receivable for which bad debt provision are drawn according to combination of credit risk characteristics	30,219,194,945.64	99.21	75,000,000.00	0.25
Other receivable with insignificant single amounts and for which bad debt provision are drawn individually	21,336,170.72	0.07	3,838,810.00	17.99

Types	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	30,460,247,047.36	100.00	298,554,741.00	

Continued:

Types	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivable with significant single amounts and for which bad debt provision are drawn individually	219,715,931.00	1.00	219,715,931.00	100.00
Other receivable for which bad debt provision are drawn according to combination of credit risk characteristics	21,660,701,375.51	98.90	698,239.28	0.00
Other receivable with insignificant single amounts and for which bad debt provision are drawn individually	21,336,170.72	0.10	3,838,810.00	17.99
Total	21,901,753,477.23	100.00	224,252,980.28	

(1) Other accounts receivable with significant single amounts and for which bad debt provision are drawn individually

Debtor name	Book balance	Provision for bad debt	Aging	Proportion (%)	Reason for provision
Conduct counter purchase for non-performing assets of Weihai Tongda Company	219,715,931.00	219,715,931.00	More than 5 years	100.00	Can not be recovered
Total	219,715,931.00	219,715,931.00			

(2) Other accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics

1) Other accounts receivable with provision for bad debt conducted according to aging analysis method

Aging	Closing balance			Opening balance		
	Book balance		provision for bad debt	Book balance		provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	1,500,000,000.00	100.00	75,000,000.00	135,297.50	12.45	6,764.88

Aging	Closing balance			Opening balance		
	Book balance		provision for bad debt	Book balance		provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
1-2 years (including 2 years)				288,511.50	26.56	28,851.15
More than 3 years	1,500,000,000.00	100.00	75,000,000.00	662,623.25	60.99	662,623.25
Total	1,500,000,000.00	100.00	75,000,000.00	1,086,432.25	100.00	698,239.28

2) Other accounts receivable with provision for bad debt conducted according to other portfolio basis

Combination name	Closing balance			Opening balance		
	Book balance	Proportion (%)	provision for bad debt	Book balance	Proportion (%)	provision for bad debt
Related parties combination	28,596,979,448.73			21,411,584,214.23		
Risk-free group	122,215,496.91			248,030,729.03		
Total	28,719,194,945.64			21,659,614,943.26		

(3) Other accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually

Debtor name	Book balance	Provision for bad debt	Aging	Proportion (%)	Reason for provision
Shandong sainty Hotel	21,294,570.72	3,796,210.00	3-4 years, More than 5 years	17.83	Difficulty in recovery
Shandong Modern Regional Economic Research Center	41,600.00	41,600.00	More than 5 years	100.00	Can not be recovered
Total	21,336,170.72	3,837,810.00			

(4) Details of the top 5 debtors with largest closing balances

Debtor name	Nature of payment	Book balance	Aging	Proportion (%)	provision for bad debt
Shandong Expressway Development Co., Ltd	Internal transaction	6,379,381,579.21	Within 1 year	20.94	
Shandong High Speed Investment Holdings Co., Ltd	Internal transaction	3,163,961,122.92	1-4 years, more than 5 years	10.39	
Shandong Province Rural Economic Development Investment Co., Ltd	Internal transaction	2,892,584,695.15	0-4 years, more than 5 years	9.50	

Debtor name	Nature of payment	Book balance	Aging	Proportion (%)	provision for bad debt
Shandong high - speed Penglai Development Co., Ltd.	Internal transaction	2,342,519,224.53	1-2 years	7.69	
Shandong Commercial Group Co., Ltd.	Internal transaction	1,500,000,000.00	Within 1 year	4.92	
Total		16,278,446,621.81		53.44	

3. Long-term equity investment

(I) Long-term equity investment classification

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries	60,609,090,823.19	13,101,974,371.64	1,418,605,320.00	72,292,459,874.83
Investment in joint ventures				
Investment in associated enterprises	131,317,909.03	11,405,469.10		142,723,378.13
Sub-total	60,740,408,732.22	13,113,379,840.74	1,418,605,320.00	72,435,183,252.96
Less: Provision for impairment of long-term equity investments				
Total	60,740,408,732.22	13,113,379,840.74	1,418,605,320.00	72,435,183,252.96

(II) Details of long-term equity investment

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period		
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method
Total	72,390,459,874.83	60,740,408,732.22	13,101,974,371.64	1,418,605,320.00	11,932,357.23
I. Subsidiary	72,292,459,874.83	60,609,090,823.19	13,101,974,371.64	1,418,605,320.00	
Shandong Railway Construction Investment Co., Ltd.	14,200,000,000.00	11,200,000,000.00	3,000,000,000.00		
Shandong High Speed Investment Holdings Co., Ltd	4,064,261,571.50	4,064,261,571.50			
Shandong Province Rural Economic Development Investment Co., Ltd	1,319,155,019.00	1,319,155,019.00			
China Shandong International Economic & Technical Cooperation Corp.	1,460,572,734.27	1,460,572,734.27			

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period		
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method
Shandong High Speed Rail Transit Group Co., Ltd.	1,269,692,833.56	1,269,692,833.56			
Shandong Hi-Speed Company Limited	10,757,666,927.82	10,757,666,927.82			
Shandong High-Speed Road&Bridge Group Co., Ltd.	2,038,317,191.83	2,038,317,191.83			
Weihai City Commercial Bank	2,657,840,432.00	2,402,751,841.60	255,088,590.40		
Shandong High - Speed Logistics Group Co., Ltd	1,880,000,000.00	1,500,000,000.00	380,000,000.00		
Shandong High - Speed Traffic Logistics Investment Co., Ltd.	105,000,000.00	105,000,000.00			
Shandong High - Speed Real Estate Group Co., Ltd	4,949,290,732.32	4,949,290,732.32			
Shandong High - Speed Technology Development Group Co., Ltd	161,495,058.48	161,495,058.48			
Shandong High - Speed Service Area Management Co., Ltd	673,257,240.72	673,257,240.72			
Shandong High - Speed Sichuan Industrial Development Co., Ltd	4,422,921,987.00	4,314,451,987.00	108,470,000.00		
Shandong High - Speed Qingdao Development Co., Ltd	3,346,049,500.00	3,346,049,500.00			
Shandong High - Speed Materials Group Corporation	1,198,754,402.40	1,198,754,402.40			
Shandong High - Speed Information Engineering Co., Ltd	95,693,037.95	95,693,037.95			

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period		
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method
Shandong High - Speed Cultural Media Co., Ltd	454,663,500.00	454,663,500.00			
Shandong High - Speed Letter Of The Payment Co., Ltd	379,021,996.74	360,000,000.00	19,021,996.74		
Shandong High-Speed Yunnan Development Co., Ltd	1,225,527,278.00	1,128,991,778.00	96,535,500.00		
Shandong High -Speed Hubei Development Co., Ltd.	1,000,000,000.00	200,000,000.00	800,000,000.00		
Shandong High - Speed Basketball Club Co., Ltd.	10,000.00	10,000.00			
Shandong High - Speed Nile Investment And Development Co., Ltd.	100,000,000.00	100,000,000.00			
Shandong High - Speed (Singapore) Co., Ltd.	62,441,200.00	62,441,200.00			
Shandong High - Speed Penglai Development Co., Ltd.	100,000,000.00	100,000,000.00			
Yantai City Longhai Hotel	31,920,645.83	31,920,645.83			
Shandong Ocean Group Co., Ltd	1,000,000,000.00	1,000,000,000.00			
Shandong Shipping Limited By Share Ltd	1,000,000,000.00	1,000,000,000.00			
Shandong Taishan Property Insurance Co., Ltd.	882,000,000.00	882,000,000.00			
Shandong High-Speed Qilu Construction Group Co., Ltd.	516,880,681.32	516,880,681.32			
Qingdao City Huatian Hotel Co., Ltd	321,760,912.64	321,760,912.64			

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period		
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method
Shandong High Speed (BVI) Capital Management Co., Ltd.	6.95	6.95			
Shandong High-Speed Taishan Development Co., Ltd.	580,000,000.00		580,000,000.00		
Shandong High Speed Group Henan Xu Bo Highway Co., Ltd.	1,559,411,500.00	1,559,411,500.00			
Hubei Wujing Freeway Development Co., Ltd.		1,418,605,320.00		1,418,605,320.00	
Shandong Huhe High-Speed Co., Ltd.	584,547,352.24	527,490,000.00	57,057,352.24		
Shandong High - Speed Taitung Highway Co., Ltd	27,305,200.00	27,305,200.00			
Shandong High - Speed Jili Intercity Highway Co., Ltd	816,688,991.33	5,100,000.00	811,588,991.33		
Shandong High - Speed Jitai Intercity Highway Co., Ltd	197,555,587.70		197,555,587.70		
Shandong High - Speed Longqing Highway Co., Ltd	5,100,000.00	5,100,000.00			
Shandong High-Speed Gaoguang Highway Co., Ltd.	413,100,000.00	51,000,000.00	362,100,000.00		
Shandong High-Speed Development Co., Ltd	4,434,556,353.23		4,434,556,353.23		
Shandong Bohai Bay Port Group Co., Ltd.	2,000,000,000.00		2,000,000,000.00		
II. Associated enterprises	98,000,000.00	131,317,909.03			11,932,357.23

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period		
			Additional investment	Decrease in investment	Profit and loss on investment recognized in the equity method
Shandong High - Speed Light Control Industry Investment Fund Management Limited	98,000,000.00	131,317,909.03			11,932,357.23

Continued:

Investee unit	Change in increase or decrease of current period					Closing balance	Closing balance of the provision for impairment
	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	Other		
Total	-526,888.13					72,435,183,252.96	
I. Subsidiary						72,292,459,874.83	
Shandong Railway Construction Investment Co., Ltd.						14,200,000,000.00	
Shandong High Speed Investment Holdings Co., Ltd						4,064,261,571.50	
Shandong Province Rural Economic Development Investment Co., Ltd						1,319,155,019.00	
China Shandong International Economic & Technical Cooperation Corp.						1,460,572,734.27	
Shandong High Speed Rail Transit Group Co., Ltd.						1,269,692,833.56	
Shandong Hi-Speed Company Limited						10,757,666,927.82	
Shandong High-Speed Road&Bridge Group Co., Ltd.						2,038,317,191.83	
Weihai City Commercial Bank						2,657,840,432.00	
Shandong High - Speed Logistics Group Co., Ltd						1,880,000,000.00	
Shandong High - Speed Traffic Logistics Investment Co., Ltd.						105,000,000.00	
Shandong High - Speed Real Estate Group Co., Ltd						4,949,290,732.32	
Shandong High - Speed Technology Development Group Co., Ltd						161,495,058.48	
Shandong High - Speed Service Area Management Co., Ltd						673,257,240.72	
Shandong High - Speed Sichuan Industrial Development Co., Ltd						4,422,921,987.00	
Shandong High - Speed Qingdao Development Co., Ltd						3,346,049,500.00	

Investee unit	Change in increase or decrease of current period					Closing balance	Closing balance of the provision for impairment
	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	Other		
Shandong High - Speed Materials Group Corporation						1,198,754,402.40	
Shandong High - Speed Information Engineering Co., Ltd						95,693,037.95	
Shandong High - Speed Cultural Media Co., Ltd						454,663,500.00	
Shandong High - Speed Letter Of The Payment Co., Ltd						379,021,996.74	
Shandong High-Speed Yunnan Development Co., Ltd						1,225,527,278.00	
Shandong High -Speed Hubei Development Co., Ltd.						1,000,000,000.00	
Shandong High - Speed Basketball Club Co., Ltd.						10,000.00	
Shandong High - Speed Nile Investment And Development Co., Ltd.						100,000,000.00	
Shandong High - Speed (Singapore) Co., Ltd.						62,441,200.00	
Shandong High - Speed Penglai Development Co., Ltd.						100,000,000.00	
Yantai City Longhai Hotel						31,920,645.83	
Shandong Ocean Group Co., Ltd						1,000,000,000.00	
Shandong Shipping Limited By Share Ltd						1,000,000,000.00	
Shandong Taishan Property Insurance Co., Ltd.						882,000,000.00	
Shandong High-Speed Qilu Construction Group Co., Ltd.						516,880,681.32	
Qingdao City Huatian Hotel Co., Ltd.						321,760,912.64	
Shandong High Speed (BVI) Capital Management Co., Ltd.						6.95	
Shandong High-Speed Taishan Development Co., Ltd.						580,000,000.00	
Shandong High Speed Group Henan Xu Bo Highway Co., Ltd.						1,559,411,500.00	
Hubei Wujing Freeway Development Co., Ltd.							
Shandong Huhe High-Speed Co., Ltd.						584,547,352.24	
Shandong High - Speed Taitung Highway Co., Ltd						27,305,200.00	
Shandong High - Speed Jili Intercity Highway Co., Ltd						816,688,991.33	

Investee unit	Change in increase or decrease of current period					Closing balance	Closing balance of the provision for impairment
	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment	Other		
Shandong High - Speed Jitai Intercity Highway Co., Ltd						197,555,587.70	
Shandong High - Speed Longqing Highway Co., Ltd						5,100,000.00	
Shandong High-Speed Gaoguang Highway Co., Ltd.						413,100,000.00	
Shandong High- Speed Development Co., Ltd						4,434,556,353.23	
Shandong Bohai Bay Port Group Co., Ltd.						2,000,000,000.00	
II. Associated enterprises	-526,888.13					142,723,378.13	
Shandong High - Speed Light Control Industry Investment Fund Management Limited	-526,888.13					142,723,378.13	

4. Operating revenue, operating costs

Items	Current period		Prior period	
	Income	Cost	Income	Cost
1. Subtotal of income of main business	2,045,118,074.28	1,565,503,783.07	2,701,250,455.71	1,565,987,653.08
Charges for roads and bridges	2,045,118,074.28	1,565,503,783.07	2,701,250,455.71	1,565,987,653.08
2. Subtotal of income of other businesses	3,285,070.81	429,906.96	12,650,240.06	1,465,857.97
Others	3,285,070.81	429,906.96	12,650,240.06	1,465,857.97
Total	2,048,403,145.09	1,565,933,690.03	2,713,900,695.77	1,567,453,511.05

5. Investment income

Income resource	Amount for the current period	Amount for the prior period
Income from long-term equity investment calculated according to cost method	878,647,164.29	997,543,716.07
Income from disposition of long-term equity investment	11,932,357.23	9,694,304.12
Income from investment of available-for-sale financial assets during holding period	1,347,777,300.00	12,676,843.36
Income from investment obtained from disposition of available-for-sale financial assets	18,619,020.80	23,341,563.13
Total	2,256,975,842.32	1,043,256,426.68

6. Cash flow statement

(1) Reconciliation of net profit to cash flow from operating activities

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profits	1,927,471,673.66	468,930,367.49
Add: Property depreciation preparation	74,301,760.72	-67,933,405.04
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	671,626,273.23	897,837,168.33
Amortization of intangible assets	374,109,059.73	394,331,064.61
Amortization of long-term unamortized expenses		69,138,684.73
Losses arising from disposition of fixed assets, intangible assets and other long-term assets		20,424.85
Losses arising from discarding of fixed assets (with "-"for income)		
Losses arising from fair value change(with "-"for income)		
Financial expenses (with "-"for income)	2,188,377,793.20	2,086,605,587.13
Investment loss (with "-"for income)	-2,256,975,842.32	-1,043,256,426.68
Decrease of Deferred tax assets (with "-"for increase)	-18,573,416.14	16,639,046.31
Increase of deferred tax liabilities (with "-"for decrease)		
Decrease of inventory (with "-"for increase)	9,839,811.38	11,006,008.36
Decrease of Items of operating receivables (with "-"for increase)	-1,240,379,496.46	-10,308,119,044.01
Increase of Items of operating payables (with "-"for decrease)	7,700,711,904.66	1,147,323,019.01
Others		
Net amount of cash flow from business activities	9,430,509,521.66	-6,327,477,504.91
2. Major investment and financing activities not involved in cash receipts and disbursements		
Conversion of debt into capital		
Convertible bonds due within 1 year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Closing balance of cash	4,607,277,312.28	1,950,597,630.27
Less: Initial balance of cash	1,950,597,630.27	1,738,527,081.91
Add: Closing balance of cash equivalents		
Less: Initial balance of cash equivalents		
Net increased amount of cash and cash equivalents	2,656,679,682.01	212,070,548.36

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	4,607,277,312.28	1,950,597,630.27
Including: cash on hand	6,570.38	28,606.45
Bank balances that can be used for payment at any time	4,607,270,741.90	1,950,569,023.82
Other cash and bank balances that can be used for payment at any time		
Funds that are deposited in central bank and available for payment		
Deposits in other banks		
Payments about call Loan to Banks		
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing cash balance and cash equivalents balance	4,607,277,312.28	1,950,597,630.27

XIII. Other contents that should be disclosed according to relevant financial and accounting rules

None.

Shandong Hi-Speed Group Co Ltd.

April 29, 2019

AUDITOR'S REPORT

Baker Tilly China [2018] No.12573

Shandong Hi-Speed Group Co., Ltd.

1. Opinion

We have audited the accompanying financial statements of Shandong Hi-Speed Group Co., Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheet as at 31 December 2017, the consolidated and the Company's income statement and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2017, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (the "ASBE").

2. Basis of opinion

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

3. Key audit matters

The key audit matters are the matters that we believe are most important for the audit of the current financial statements based on professional judgment. The response to these matters is based on the overall audit of the financial statements and the formation of an audit opinion. We do not express an opinion on these matters separately.

Key audit matters	How to do it for this matter
Recognition of bad debt provision for accounts receivable	
As is shown in VIII, note 4 of Notes to Financial Statements of 2017, as of December 31, 2017, the balance of accounts receivable of Shandong High-speed Group was RMB 5.528 billion and the balance of bad debts was RMB 633 million. Shandong High-speed's estimates of bad debt provision need to consider the financial operating	Our main audit procedures for the recognition of bad debt provision for accounts receivable include: 1. Understanding and evaluating the effectiveness of the design and operation of key internal controls related to the impairment of account receivable; 2. Checking whether the accounting policies and estimates related to bad debt preparation meet the requirements of accounting standards;

Key audit matters	How to do it for this matter
Recognition of bad debt provision for accounts receivable	
conditions of the customer, the data and timing of the expected customers' repayment, and the division of the credit risk portfolio. The bad debts have a greater impact on the financial statements due to the non-acceptance or non-recovery of accounts receivable, and the assessment of bad debts involves significant judgments and estimates of management. Therefore, we consider the bad debt provision of accounts receivable as a key audit matter.	3、For receivables that are individually accrued for bad debt provision, select a sample to obtain management's estimates of estimated future recoverable amounts, including customer financial status, customer credit history, default or delayed payment records, and actual repayments after the period, and review its rationality 4、For account receivables with bad debt provision based on aging analysis method, analyze the reasonableness of accounting estimates for bad debts of Shandong Expressway, and select samples to test the accuracy of aging.
Judgment of the quality of sustainable corporate bonds	
As is shown in VIII, note 59 of Notes to Financial Statements of 2017, Shandong High-speed Group issued RMB 7.06 billion worth of perpetual bonds in other equity instruments for 2017, which is of importance to the financial statements as a whole. Since sustainable corporate bonds are identified as equity instruments that require significant judgement, we consider sustainable corporate bonds as key audit matters.	Our main audit procedures for the judgment of the nature of sustainable corporate bonds include: 1、Understanding and evaluating the effectiveness of management's design and operation of key internal controls related to the nature of sustainable corporate bonds; 2、Examining the issuance documents, analyzing the main clauses, and judging the Shandong High-speed Group's contractual rights and obligations considering the accounting standards of the enterprise 3、Analyzing the implementation of the issuance of sustainable corporate bonds in previous years, and evaluating the effectiveness of the implementation of Shandong High-speed Group's contractual rights and obligations; 4、Obtaining details of the relevant issuance costs of the sustainable corporate bonds, checking the relevant supporting documents and the arrival of the raised funds; 5、Assessing Shandong High-speed Group on December 31, 2017 for the accounting treatment and disclosure of the sustainable corporate bonds.

4. Other information

Management of the Company is responsible for other information. Other information comprises those disclosed in the report, but excludes the financial statement and the auditors' report thereon.

Our audit opinion expressed on financial statements does not extend to other information, nor do we express any form of assurance conclusions thereon.

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

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

5. Responsibilities of management and those charged with governance for the financial statements

The management are responsible for the preparation of financial statements that give a true and fair view in accordance with the ASBE and for design, implement and maintain such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

6. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or errors, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

(6) Obtain sufficient and appropriate audit evidence on financial information of the entities or operating activities of the company so as to express an audit opinion on the financial statements. We are responsible for guidance, supervision and execution of the group audit, and we assume full responsibility to the audit opinion thereon.

We communicate to those charged with governance, among other matters, on the planned audit scope, timing and significant audit findings, including significant deficiencies in internal controls that we identified during our audit.

AUDITOR'S REPORT (Continued)

Baker Tilly China [2018] No.12573



Chinese Certified Public

Accountant:



Chinese Certified Public

Accountant:



This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case any inconsistencies between the two reports, the Chinese version shall prevail.

Consolidated Balance Sheet

Company: Shandong Hi-Speed Group Co., Ltd

December 31, 2017

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current assets:	1			
Cash and cash equivalents	2	40,070,376,847.44	45,342,883,419.39	VIII.note1
△Deposit Reservation for Balance	3		-	
△Loan to other banks	4	1,207,292,800.00	-	
Financial assets measured at fair value through profits and losses of the current period	5	7,281,656,304.85	5,537,982,883.27	VIII.note2
Derivative financial assets	6		-	
Notes receivable	7	544,116,815.14	338,109,740.08	VIII.note3
Accounts receivable	8	4,895,207,419.06	3,939,400,839.44	VIII.note4
Prepayments	9	4,397,099,933.77	3,276,015,203.00	VIII.note5
△Premiums receivable	10	60,647,626.53	69,187,831.27	VIII.note6
△Reinsurance accounts receivable	11	87,054,038.29	50,775,315.77	VIII.note7
△Reinsurance reserves receivable	12	128,396,301.99	85,000,888.99	
Interest receivable	13	1,824,797,950.44	1,261,572,510.50	VIII.note8
Dividends receivable	14	129,285,706.03	2,308,689.72	VIII.note9
Other receivables	15	13,885,137,353.85	8,763,794,165.08	VIII.note10
△Redemptory financial assets for sale	16	15,058,130,001.82	20,092,528,335.13	VIII.note11
Inventories	17	22,511,759,957.19	21,163,580,456.76	VIII.note12
Including: raw materials	18	656,006,118.55	368,378,346.27	VIII.note12
Goods on hand (finished products)	19	4,477,639,151.28	3,834,646,442.82	VIII.note12
Classified as held for sale of assets	20		-	
Non-current assets due within one year	21	1,202,277,040.86	770,533,940.70	VIII.note13
other current assets	22	24,306,847,870.71	18,233,301,614.14	VIII.note14
Total current assets	23	137,590,083,967.97	128,926,975,833.24	
Non-current assets:	24			
△Loans and advances	25	64,288,933,970.05	56,760,927,963.90	VIII.note15
Available-for-sale financial assets	26	69,704,820,613.02	50,100,270,592.49	VIII.note16
Held-to-maturity investment	27	41,629,293,319.48	37,172,992,571.02	VIII.note17
Long-term account receivable	28	16,851,979,008.59	9,020,246,360.26	VIII.note18
Long term equity investment	29	12,481,449,423.10	7,010,233,319.43	VIII.note19
Investment real estate	30	1,815,175,163.21	899,436,579.65	VIII.note20
Fixed assets-cost	31	63,122,751,849.33	57,489,817,502.14	VIII.note21
Less: amumulated depreciation	32	21,046,756,652.93	20,516,327,048.12	VIII.note21
Net value of fixed assets	33	42,075,995,196.40	36,973,490,454.02	VIII.note21
Less: provision for impairment of fixed assets	34	30,320,891.63	31,951,084.72	VIII.note21
Net Fixed Assets	35	42,045,674,304.77	36,941,539,369.30	VIII.note21
Construction in process	36	72,766,091,860.81	47,940,408,646.33	VIII.note22
Construction materials	37	1,233,969.55	1,172,644.74	VIII.note23
Disposal of fixed assets	38	182,511.38	132,034.48	VIII.note24
Productive biological assets	39	28,827,611.27	23,527,850.33	VIII.note25
Oil and gas assets	40	-	-	
Intangible assets	41	67,196,846,098.15	64,710,412,593.23	VIII.note26
Development expenditure	42	6,093,687.10	36,110,951.61	VIII.note27
Goodwill	43	1,080,451,028.99	1,027,388,220.43	VIII.note28
Long-term deferred expenses	44	950,073,440.85	1,028,936,614.13	VIII.note29
Deferred tax assets	45	1,943,528,098.00	1,251,889,975.50	VIII.note30
Other non-current assets	46	23,795,484,577.46	15,330,001,225.02	VIII.note31
Including: special reserve materials	47	-	-	
Total non-current assets	48	416,586,138,685.78	329,255,627,511.85	
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Total assets	72	554,176,222,653.75	458,182,603,345.09	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Balance Sheet (Continued)

Company: Shandong Hi-Speed Group Co., Ltd

December 31, 2017

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current liability:	73			
Short-term borrowing	74	10,991,130,917.81	6,817,751,741.84	VIII.note32
△Borrowing from the Central Bank	75	3,166,428,312.50	2,140,476,250.00	VIII.note33
△Deposits from customers and interbank	76	118,805,260,637.81	118,274,465,647.77	VIII.note34
△Loan from other banks and other financial institutions	77	6,686,000,000.00	3,080,000,000.00	VIII.note35
Financial liabilities measured at fair value through profits and losses of the current period	78	-	-	
Derivative financial liabilities	79	-	-	
Notes payable	80	1,361,350,355.48	1,092,135,994.71	VIII.note36
Accounts payable	81	15,094,552,566.94	11,887,504,077.83	VIII.note37
Advances received	82	5,057,962,721.95	4,309,495,864.12	VIII.note38
△Financial assets sold for repurchase	83	22,020,150,000.00	20,044,598,546.54	VIII.note39
△Handling fee and commission	84	24,271,267.48	20,138,811.74	
Employee benefits payable	85	871,905,988.01	858,170,090.66	VIII.note40
Including: Accrued payroll	86	616,289,532.15	649,711,502.02	VIII.note40
Welfare benefits payable	87	7,274,055.10	536,408.31	VIII.note40
#Including: Employee bonus and welfare fund	88	-	-	
Taxes and surcharges payable	89	1,620,150,638.77	1,251,156,018.33	VIII.note41
Including: Taxes payable	90	1,490,124,415.70	1,219,586,818.44	VIII.note41
Interest payable	91	3,646,043,877.28	3,265,704,290.27	VIII.note42
Dividends payable	92	354,992,050.81	247,696,988.49	VIII.note43
Other payables	93	15,495,061,908.55	17,503,667,235.68	VIII.note44
△Reinsurance payable	94	122,262,402.62	72,718,682.90	VIII.note45
△Provision for insurance contracts	95	1,564,971,373.59	1,448,907,291.65	VIII.note46 VIII.note47
△Acting trading securities	96	-	-	
△Acting underwriting securities	97	-	-	
Classified as held for sale debt	98	-	-	
Non-current liabilities due within one year	99	4,896,424,258.69	3,712,292,344.37	VIII.note48
Other current liabilities	100	9,500,135,625.02	9,802,412,687.04	VIII.note49
Total current liabilities	101	221,279,054,903.31	205,829,292,563.94	
non-current liability:	102			
Long-term borrowing	103	95,854,172,738.42	71,725,434,708.72	VIII.note50
Bonds payable	104	72,096,813,334.82	59,280,638,945.88	VIII.note51
Long-term payables	105	5,345,393,997.69	5,146,908,680.63	VIII.note52
Long term employee benefits payable	106	47,527,246.64	55,361,736.92	VIII.note53
Special payable	107	345,149,727.11	308,005,649.57	VIII.note54
Accrued liabilities	108	74,096,377.99	114,023,126.27	VIII.note55
Deferred revenue	109	2,205,824,881.84	2,149,126,749.52	VIII.note56
Deferred tax liabilities	110	835,609,065.07	787,207,236.92	VIII.note30
Other non-current liabilities	111	571,344,777.96	584,076,736.44	VIII.note57
Including: special reserve fund	112	-	-	
Total non-current liabilities	113	177,375,932,147.54	140,150,783,570.87	
Total liabilities	114	398,654,987,050.85	345,980,076,134.81	
Owner's equity:	115			
Paid-in capital (or share capital)	116	20,056,415,293.29	20,056,415,293.29	VIII.note58
National capital	117	20,056,415,293.29	20,056,415,293.29	VIII.note58
Including: state-owned legal person's capital	118	20,082,364,093.29	20,056,415,293.29	VIII.note58
Collective capital	119	-	-	
Private capital	120	-	-	
Including: personal capital	121	-	-	
Foreign capital	122	-	-	
# Less: returned investment	123	-	-	
Net paid-in capital	124	20,056,415,293.29	20,056,415,293.29	VIII.note58
Other equity instruments	125	20,100,000,000.00	12,500,000,000.00	VIII.note59
Including: preferred stock	126	-	-	
Perpetual capital securities	127	20,100,000,000.00	12,500,000,000.00	VIII.note59
Capital reserve	128	12,834,340,904.09	7,748,833,773.08	VIII.note60
Minus: Treasury shares	129	-	-	
Other Comprehensive Income	130	150,094,384.50	260,296,378.94	
Including: the foreign currency statement translation difference	131	-2,635,059.68	30,907,696.42	
Special reserves	132	162,060,381.09	155,127,660.51	VIII.note61
Surplus reserves	133	1,137,059,283.25	1,090,703,720.32	VIII.note62
Including: statutory surplus reserves	134	1,137,059,283.25	1,090,703,720.32	VIII.note62
discretionary surplus reserves	135	-	-	
# Reserve fund	136	-	-	
#Enterprise expansion fund	137	-	-	
#Profits capitalized on return of investment	138	-	-	
△Provision for normal risks	139	893,161,152.86	737,762,978.19	VIII.note63
Undistributed profit	140	9,596,510,379.51	7,796,221,945.30	VIII.note64
Total owners' equity belongs to parent company	141	64,929,641,778.59	50,345,361,749.63	
* Minority equity	142	90,591,593,824.31	61,857,165,460.65	
Total owners' equity	143	155,521,235,602.90	112,202,527,210.28	
Total liabilities and owners' equity	144	554,176,222,653.75	458,182,603,345.09	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Income Statement

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	NO.	Amount for the current period	Amount for the prior period	Notes NO.
1.Overall operating income	1	66,633,518,983.19	58,936,220,830.80	
Including: operating income	2	56,538,919,713.40	50,537,410,745.58	VIII.note65
△Interest income	3	8,370,267,406.61	6,840,781,421.55	VIII.note66
△Earned premium	4	1,392,098,115.05	1,181,694,057.63	VIII.note67
△Handling charges and commissions income	5	332,233,748.13	376,334,606.04	VIII.note68
2. Overall operating costs	6	63,148,099,200.48	56,365,323,183.29	
Including: operating costs	7	45,868,432,682.05	41,345,619,314.23	VIII.note65
△Interest expense	8	4,686,209,050.49	3,466,246,890.67	VIII.note66
△Handling charges and commissions expenses	9	267,388,749.51	190,389,280.09	VIII.note68
△Surrender value	10	-	-	
△Net payments for insurance claims	11	775,943,194.35	660,038,565.60	VIII.note69
△Net provision for insurance contracts	12	24,428,397.47	65,738,684.18	VIII.note70 VIII.note71 VIII.note72
△Expenditures dividend policy	13	-	-	
△Reinsurance expenses	14	-11,950,647.48	-21,024,189.22	VIII.note73
Taxes and surcharges	15	362,193,286.02	602,003,976.73	
Selling expenses	16	2,401,804,783.61	2,070,051,067.92	VIII.note74
Administrative expenses	17	2,611,396,818.48	2,346,414,133.68	VIII.note75
Including: Research and development expenses	18	223,620,406.20	58,316,649.41	VIII.note75
Financial expenses	19	5,182,960,828.62	4,713,343,298.18	VIII.note76
Including: Interest expense	20	6,317,337,429.31	5,619,110,796.80	VIII.note76
Interest revenue	21	1,392,507,730.03	1,245,203,538.30	VIII.note76
Foreign exchange losses ("-"for gains)	22	8,921,946.27	-56,610,281.83	VIII.note76
Asset impairment loss	23	979,292,057.36	926,502,161.23	VIII.note77
Others	24			
Add: Change in Fair Value of assets ("-"for loss)	25	-111,407,614.16	-85,253,842.80	VIII.note79
Investment income ("-"for loss)	26	2,829,801,639.76	1,986,879,937.17	VIII.note80
Including: Investment income from joint ventures and affiliates	27	245,790,483.83	98,987,999.64	VIII.note80
Income from non-current assets ("-"for loss)	28	-21,033,055.89	-13,721,282.64	
△ Foreign exchange gain ("-"for loss)	29	-2,784,209.44	21,588,912.46	
Others Income	30	632,985,065.66	-	VIII.note81
3. Operating profit ("-"for loss)	31	6,812,981,608.64	4,480,391,371.70	
Add: Non-operating income	32	405,717,610.73	912,477,202.95	VIII.note82
Including: Gains from exchange of non-monetary assets	33	-	-	
Government grants	34	27,941,131.41	652,132,289.74	VIII.note82
Gains from debt restructuring	35	628,710.38	60,339,467.75	VIII.note82
Less: Non-operating expenses	36	563,431,321.67	133,940,955.10	VIII.note83
Including: Loss from exchange of non-monetary asset	37	-	-	
Loss from debt restructuring	38	4,114,605.09	-	VIII.note83
4. Total profit ("-" for loss)	39	6,655,267,897.70	5,258,927,619.55	
Less: income tax expense	40	1,800,236,001.51	1,878,478,438.78	VIII.note84
5. Net profit ("—"for loss)	41	4,855,031,896.19	3,380,449,180.77	
Net profit belongs to parent company	42	2,812,223,371.91	1,672,717,347.82	
*Minority interest	43	2,042,808,524.28	1,707,731,832.95	
Income of continuing operating	44	4,855,031,896.19	3,380,449,180.77	
Income of terminate operating	45			
6. Other comprehensive income after tax	46	-198,782,168.01	-253,952,522.08	
Other comprehensive income after tax belongs to parent company	47	-110,201,994.44	-127,195,948.40	VIII.note85
(a) other comprehensive income can not be reclassified into the profit and loss in the future	48	-	-	
Including: 1. remeasure the benefit plan to benefit from the change in net liabilities or net assets	49	-	-	
2.Share enjoyed by the investment entity in other comprehensive income which can not be re classified into profit and loss	50	-	-	
(b) Other comprehensive income after the reclassification into the gains and losses	51	-110,201,994.44	-127,195,948.40	VIII.note85
Including: 1.Share of other comprehensive income which is classified into the profit and loss after being invested by the unit	52	15,056,999.75	-11,657,899.46	VIII.note85
2.Changes in the fair value of available for sale financial assets	53	-91,716,238.09	-251,445,998.86	VIII.note85
3.Financial assets gains and losses hold to maturity investments which are classified as available for sale	54	-	-	
4.Effective part of cash flow hedging profit and loss	55	-	50,387,021.84	VIII.note85
5.Discount difference of foreign currency financial statements	56	-33,542,756.10	85,520,928.08	VIII.note85
*Other comprehensive income after tax belongs to Minority shareholders	57	-88,580,173.57	-126,756,573.68	
7. Total comprehensive income	58	4,656,249,728.18	3,126,496,658.69	
Total comprehensive income belongs to parent company	59	2,702,021,377.47	1,545,521,399.42	
*Total comprehensive income belongs to minority shareholders	60	1,954,228,350.71	1,580,975,259.27	
8. Earnings per share :	61	—	—	
Basic earnings per share	62			
Diluted earnings per share	63			

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Cash Flow Statement

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	NO.	Amount for the current period	Amount for the prior period	Notes NO.
1.Cash flows from operating activities :	1	—	—	
Cash receipts from the sale of goods and the rendering of services	2	62,691,937,806.68	54,878,074,288.30	
△Net increase of customer deposits and interbank deposits	3	745,742,979.62	15,887,662,523.93	
△Net increase of borrowings from Central Bank	4	1,025,952,062.50	567,058,736.66	
△Net increase of loans from other financial institutions	5	9,322,638,786.77	14,315,226,698.73	
△Cash received from primary insurance premium	6	1,697,777,051.39	1,436,990,927.17	
△Net cash received from reinsurance business	7	-12,407,648.89	572,188.49	
△Net increase of ensured's savings and investment	8	-	-	
△Net increase of the disposal of financial assets whose changes included in the current profits and losses at fair value measurement	9	-	-	
△Cash received from interest charges,fees and commissions	10	4,766,419,462.17	4,907,155,040.01	
△Net increase of loans from other banks	11	-	-	
△Net increase of repurchase business capital	12	-	-	
Tax refunds	13	9,723,801.92	34,921,982.90	
Cash receipts from other operating activities	14	48,744,948,706.82	29,975,717,612.29	
Subtotal of cash inflows from operating activities	15	128,992,733,008.98	122,003,379,998.48	
Cash paid for goods and services	16	47,773,909,491.41	43,001,795,157.62	
△Net increase of customers loans and advances	17	12,338,190,560.96	11,202,616,177.96	
△Net increase of deposit from Central Bank and other banks	18	-424,103,457.42	3,412,311,034.42	
△Cash payment of claims for original insurance contract	19	772,011,727.02	650,552,067.66	
△Cash payment of interests,fees and commissions	20	3,685,167,924.32	2,872,514,044.28	
△Cash payment of policy dividend	21	-	-	
Cash paid to and on behalf of employees	22	4,914,844,386.63	4,165,604,357.73	
Cash payment of all types of taxes	23	3,939,533,195.18	4,199,313,621.80	
Cash paid relating to other operating activities	24	41,872,651,064.64	22,101,437,786.32	
Subtotal of cash outflows from operating activities	25	114,872,204,892.74	91,606,144,247.79	
Net amount of cash flows from operating activities	26	14,120,528,116.24	30,397,235,750.69	VIII.note86
2. Cash flows from investment activities :	27	—	—	
Cash received from disposal of investments	28	111,376,361,950.45	219,358,829,795.67	
Cash received from returns on investments	29	5,180,645,010.56	2,782,116,049.72	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	30	101,890,341.28	34,988,147.42	
Cash received from disposal of subsidiary and other operation department	31	806,230,081.26	2,156,065,207.68	
Cash received from other activities related to investment	32	4,931,386,136.33	12,839,822,638.24	
Subtotal of cash inflows from investment activities	33	122,396,513,519.88	237,171,821,838.73	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	34,022,605,277.30	31,765,545,278.44	
Cash paid to acquire investments	35	166,880,528,145.96	267,782,843,805.21	
△Net increase of pledge loans	36	-	-	
Net cash paid for acquisition of subsidiary and other operation	37	84,516,099.28	1,251,699,679.18	
Cash payment of other activities related to investment	38	12,435,150,203.54	8,539,786,734.29	
Subtotal of cash outflows from investment activities	39	213,422,799,726.08	309,339,875,497.12	
Net amount of cash flows from investment activities	40	-91,026,286,206.20	-72,168,053,658.39	
3. Cash flows from financing activities :	41	—	—	
Cash received from absorption of investment	42	30,620,356,797.08	14,657,628,200.00	
Including:Cash received from absorption of minority shareholders investment subsidiary	43	9,475,953,881.00	7,458,765,000.00	
Cash received from borrowing money	44	74,607,769,921.36	69,818,672,065.79	
△Cash received from issue bonds	45	74,136,986,445.83	35,876,194,460.00	
Cash received from other activities related to financing	46	8,172,038,545.57	6,508,957,200.95	
Subtotal of cash inflows from financing activities	47	187,537,151,709.84	126,861,451,926.74	
Cash repayments of amounts borrowed	48	112,658,495,687.85	68,707,263,587.67	
Cash payment of the distribution of dividends, profits or interest	49	8,331,512,248.71	6,953,588,028.09	
Including:Dividends,profits paid to minority shareholders by subsidiary	50	57,817,360.00	18,741,213.33	
Cash payments relating to other financing activities	51	3,411,287,010.59	1,397,360,212.59	
Subtotal of cash outflows from financing activities	52	124,401,294,947.15	77,058,211,828.35	
Net amount of cash flows from financing activities	53	63,135,856,762.69	49,803,240,098.39	
4. Influence of foreign exchange rate on cash and cash equivalents	54	-83,925,735.81	80,663,359.01	
5. Net increase in cash and cash equivalents	55	-13,853,827,063.08	8,113,085,549.70	VIII.note86
Add: Opening balance of cash and cash equivalent	56	52,085,258,729.68	43,972,173,179.98	VIII.note86
6.Closing balance of cash and cash equivalents	57	38,231,431,666.60	52,085,258,729.68	VIII.note86

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Statement of Changes in Owners' Equity

Company: Shandong Hi-Speed Group Co., Ltd		Year 2017											Monetary Unit: RMB	
Item	NO.	Amount for the current year												
		Owners' equity belongs to parent company												
		Paid in capital (or share capital)	Other equity instruments	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General Risk Preparation	Undistributed profit	Others	Subtotal	Minority interest	Total owners' equity
		1	2	3	4	5	6	7	8	9	10	11	12	13
I. Balance at the end of last year	1	20,056,415,293.29	12,500,000,000.00	7,748,833,773.08	-	260,296,378.94	155,127,660.51	1,090,703,720.32	737,762,978.19	7,796,221,945.30	-	50,345,361,749.63	61,857,165,460.65	112,202,527,210.28
Add: Changes in accounting policies	2	-	-	-	-	-	-	-	-	-	-	-	-	-
error correction at earlier stage	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	4	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of the year	5	20,056,415,293.29	12,500,000,000.00	7,748,833,773.08	-	260,296,378.94	155,127,660.51	1,090,703,720.32	737,762,978.19	7,796,221,945.30	-	50,345,361,749.63	61,857,165,460.65	112,202,527,210.28
III. Change amount of this year ("+"for increase)	6	-	7,600,000,000.00	5,085,507,131.01	-	-110,201,994.44	6,932,720.58	46,355,562.93	155,398,174.67	1,800,288,434.21	-	14,584,280,028.96	28,734,428,363.66	43,318,708,392.62
(I) Overall comprehensive income	7	-	-	-	-	-110,201,994.44	-	-	-	2,812,223,371.91	-	2,702,021,377.47	1,954,228,350.71	4,656,249,728.18
(II) Input and reduction of the owner's capital	8	-	7,600,000,000.00	5,085,507,131.01	-	-	-	-	-	-	-	12,685,507,131.01	27,357,510,945.31	40,043,018,076.32
1.Common stock input by owner	9	-	-	1,339,268,811.76	-	-	-	-	-	-	-	1,339,268,811.76	3,326,600,963.84	4,665,869,775.60
2.Capital input by other equity instruments holder	10	-	7,600,000,000.00	-	-	-	-	-	-	-	-	7,600,000,000.00	-	7,600,000,000.00
3.The amount of stocks paid into the owner's equity	11	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Others	12	-	-	3,746,238,319.25	-	-	-	-	-	-	-	3,746,238,319.25	24,030,909,981.47	27,777,148,300.72
(III) The extraction and use of special reserve	13	-	-	-	-	-	6,932,720.58	-	-	-	-	6,932,720.58	-7,458,953.23	-526,232.65
1.Extraction of special reserve	14	-	-	-	-	-	143,445,067.80	-	-	-	-	143,445,067.80	61,404,627.90	204,849,695.70
2.Use of special reserve	15	-	-	-	-	-	-136,512,347.22	-	-	-	-	-136,512,347.22	-68,863,581.13	-205,375,928.35
(IV) Profit distribution	16	-	-	-	-	-	-	46,355,562.93	155,398,174.67	-1,011,934,937.70	-	-810,181,200.10	-569,851,979.13	-1,380,033,179.23
1.Withdrawal of surplus reserves	17	-	-	-	-	-	-	46,355,562.93	-	-46,355,562.93	-	-	-	-
Including statutory surplus reserves	18	-	-	-	-	-	-	46,355,562.93	-	-46,355,562.93	-	-	-	-
discretionary surplus reserves	19	-	-	-	-	-	-	-	-	-	-	-	-	-
#Reserve fund	20	-	-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund	21	-	-	-	-	-	-	-	-	-	-	-	-	-
#Profits capitalized on return of investment	22	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Extraction of provision for normal risks	23	-	-	-	-	-	-	-	155,398,174.67	-155,398,174.67	-	-	110,290,248.88	110,290,248.88
3.Distribution to the owners (or stockholders)	24	-	-	-	-	-	-	-	-	-810,181,200.10	-	-810,181,200.10	-680,142,228.01	-1,490,323,428.11
4.Others	25	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal transfer of owner's equity	26	-	-	-	-	-	-	-	-	-	-	-	-	-
1.Capital reserve transferred to paid-in capital (or share capital)	27	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Surplus reserve transferred to paid-in capital (or share capital)	28	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Surplus reserve used to offset losses	29	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Changes of carry over to the remeasurement of net liabilities or net assets	30	-	-	-	-	-	-	-	-	-	-	-	-	-
5.Others	31	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	32	20,056,415,293.29	20,100,000,000.00	12,834,340,904.09	-	150,094,384.50	162,060,381.09	1,137,059,283.25	893,161,152.86	9,596,510,379.51	-	64,929,641,778.59	90,591,593,824.31	155,521,235,602.90
Person in charge of accounting department: Liang Zhanhai														
Chief Accountant: Wang Sijun														
Legal Representative: Sun Liang														

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Consolidated Statement of Changes in Owners' Equity(Continued)

Company: Shandong Hi-Speed Group Co., Ltd		Amount for the previous year											Monetary Unit: RMB	
		Year 2017												
Item	Paid in capital (or share capital)	Owners' equity belongs to parent company										Minority interest	Total owners' equity	
		Other equity instruments	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General Risk Preparation	Undistributed profit	Others	Subtotal			
NO.	14	15	16	17	18	19	20	21	22	23	24	25	26	
I. Balance at the end of last year	20,056,415,293.29	7,500,000,000.00	6,711,229,964.39	-	451,836,419.77	138,077,085.51	1,054,397,004.53	489,079,356.71	6,998,456,321.34	-	43,399,491,445.54	44,030,210,023.92	87,429,701,469.46	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	
error correction at earlier stage	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at the beginning of the year	20,056,415,293.29	7,500,000,000.00	6,711,229,964.39	-	451,836,419.77	138,077,085.51	1,054,397,004.53	489,079,356.71	6,998,456,321.34	-	43,399,491,445.54	44,030,210,023.92	87,429,701,469.46	
III. Change amount of this year ("+" for decrease)	-	5,000,000,000.00	1,037,603,808.69	-	-191,540,040.83	17,050,575.00	36,306,715.79	248,683,621.48	797,765,623.96	-	6,945,870,304.09	17,826,955,436.73	24,772,825,740.82	
(I) Overall comprehensive income	-	-	-	-	-191,540,040.83	-	-	-	1,672,717,347.82	-	1,481,177,306.99	1,580,975,259.27	3,062,152,566.26	
(II) Input and reduction of the owner's capital	-	5,000,000,000.00	1,037,603,808.69	-	-	-	-	-	-2,644,619.87	-	6,034,959,188.82	17,586,160,623.40	23,621,119,812.22	
1.Common stock input by owner	-	-	1,016,716,407.92	-	-	-	-	-	-	-	1,016,716,407.92	10,865,725,912.20	11,882,442,320.12	
2.Capital input by other equity instruments holder	-	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00	-	5,000,000,000.00	
3.The amount of stocks paid into the owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.Others	-	-	20,887,400.77	-	-	-	-	-	-2,644,619.87	-	18,242,780.90	6,720,434,711.20	6,738,677,492.10	
(III) The extraction and use of special reserve	-	-	-	-	-	17,050,575.00	-	-	-	-	17,050,575.00	334,884.71	17,385,459.71	
1.Extraction of special reserve	-	-	-	-	-	98,703,674.96	-	-	-	-	98,703,674.96	37,131,149.38	135,834,824.34	
2.Use of special reserve	-	-	-	-	-	-81,653,099.96	-	-	-	-	-81,653,099.96	-36,796,264.67	-118,449,364.63	
(IV) Profit distribution	-	-	-	-	-	-	36,306,715.79	248,683,621.48	-872,307,103.99	-	-587,316,766.72	-1,340,515,330.65	-1,927,832,097.37	
1.Withdrawal of surplus reserves	-	-	-	-	-	-	36,306,715.79	-	-36,306,715.79	-	-	-	-	
Including statutory surplus reserves	-	-	-	-	-	-	36,306,715.79	-	-36,306,715.79	-	-	-	-	
discretionary surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
#Reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
#Enterprise expansion fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
#Profits capitalized on return of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.Extraction of provision for normal risks	-	-	-	-	-	-	-	248,683,621.48	-248,683,621.48	-	-	-	-	
(3.Distribution to the owners (or stockholders)	-	-	-	-	-	-	-	-	-587,316,766.72	-	-587,316,766.72	-1,340,515,330.65	-1,927,832,097.37	
4.Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Internal transfer of owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.Capital reserve transferred to paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.Surplus reserve transferred to paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.Surplus reserve used to offset losses	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.Changes of carry over to the remeasurement of net liabilities or net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
5.Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at the end of the year	20,056,415,293.29	12,500,000,000.00	7,748,833,773.08	-	260,296,378.94	155,127,660.51	1,090,703,720.32	737,762,978.19	7,796,221,945.30	-	50,345,361,749.63	61,857,165,460.65	112,202,527,210.28	
Legal Representative: Sun Liang		Person in charge of accounting department: Liang Zhanhai												
Chief/Accountant: Wang Sijun														

Person in charge of accounting department: Liang Zhanhui

Chief Accountant: Wang Sijun

Legal Representative: Sun Liang

Balance Sheet

Company: Shandong Hi-Speed Group Co., Ltd

December 31, 2017

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current assets:	1			
Cash and cash equivalents	2	2,221,797,630.27	2,009,727,081.91	
△Deposit Reservation for Balance	3	-	-	
△Loan to other banks	4	-	-	
Financial assets measured at fair value through profits and losses of the current period	5	-	-	
Derivative financial assets	6	-	-	
Notes receivable	7	-	-	
Accounts receivable	8	15,455,977.40	15,048,861.20	XII.1
Prepayments	9	76,688,497.28	163,131,344.30	
△Premiums receivable	10	-	-	
△Reinsurance accounts receivable	11	-	-	
△Reinsurance reserves receivable	12	-	-	
Interest receivable	13	-	-	
Dividends receivable	14	4,319,565.88	-	
Other receivables	15	21,677,500,496.95	11,251,769,219.45	XII.2
△Redemptory financial assets for sale	16	-	-	
Inventories	17	32,476,136.75	43,482,145.11	
Including: raw materials	18	32,476,136.75	42,755,923.85	
Goods on hand (finished products)	19	-	726,221.26	
Classified as held for sale of assets	20	-	-	
Non-current assets due within one year	21	-	-	
other current assets	22	-	1,226,421.63	
Total current assets	23	24,028,238,304.53	13,484,385,073.60	
Non-current assets:	24			
△Loans and advances	25	-	-	
Available-for-sale financial assets	26	1,744,942,999.04	1,730,587,376.70	
Held-to-maturity investment	27	-	-	
Long-term account receivable	28	-	-	
Long term equity investment	29	60,707,090,823.19	54,793,864,298.17	XII.3
Investment real estate	30	-	-	
Fixed assets-cost	31	25,065,036,567.13	22,674,140,446.31	
Less: amumulated depreciation	32	7,784,180,174.14	6,892,242,044.04	
Net value of fixed assets	33	17,280,856,392.99	15,781,898,402.27	
Less: provision for impairment of fixed assets	34	23,245,099.23	23,245,099.23	
Net Fixed Assets	35	17,257,611,293.76	15,758,653,303.04	
Construction in process	36	204,233,200.61	4,545,858,780.39	
Construction materials	37	-	-	
Disposal of fixed assets	38	157,511.38	132,034.48	
Productive biological assets	39	-	-	
Oil and gas assets	40	-	-	
Intangible assets	41	13,925,260,817.35	10,934,462,664.61	
Development expenditure	42	-	-	
Goodwill	43	-	-	
Long-term deferred expenses	44	32,002,841.30	101,141,526.03	
Deferred tax assets	45	121,728,067.19	138,367,113.50	
Other non-current assets	46	4,544,664,498.73	5,525,118,494.73	
Including: special reserve materials	47	-	-	
Total non-current assets	48	98,537,692,052.55	93,528,185,591.65	
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	71			
Total assets	72	122,565,930,357.08	107,012,570,665.25	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Balance Sheet (Continued)

Company: Shandong Hi-Speed Group Co., Ltd

December 31, 2017

Monetary Unit: RMB

Item	NO.	Closing balance	Opening balance	Notes NO.
Current liability:	73			
Short-term borrowing	74	3,000,000,000.00	-	
△Borrowing from the Central Bank	75	-	-	
△Deposits from customers and interbank	76	-	-	
△Loan from other banks and other financial institutions	77	-	-	
Financial liabilities measured at fair value through profits and losses of the current period	78	-	-	
Derivative financial liabilities	79	-	-	
Notes payable	80	-	20,000,000.00	
Accounts payable	81	607,369,213.08	1,114,503,447.46	
Advances received	82	427,976,316.22	275,525,936.98	
△Financial assets sold for repurchase	83	-	-	
△Handling fee and commission	84	-	-	
Employee benefits payable	85	214,210,380.66	212,043,516.35	
Including: Accrued payroll	86	200,575,907.49	200,575,907.49	
Welfare benefits payable	87	-	-	
#Including: Employee bonus and welfare fund	88	-	-	
Taxes and surcharges payable	89	125,895,372.14	25,425,529.62	
Including: Taxes payable	90	15,858,449.34	15,586,226.47	
Interest payable	91	722,156,625.69	684,230,722.48	
Dividends payable	92	325,625,000.16	236,250,000.06	
Other payables	93	13,399,875,035.96	14,837,259,042.02	
△Reinsurance payable	94	-	-	
△Provision for insurance contracts	95	-	-	
△Acting trading securities	96	-	-	
△Acting underwriting securities	97	-	-	
Classified as held for sale debt	98	-	-	
Non-current liabilities due within one year	99	2,879,935,000.00	1,537,922,200.00	
Other current liabilities	100	8,500,000,000.00	9,000,000,000.00	
Total current liabilities	101	30,203,042,943.91	27,943,160,394.97	
non-current liability:	102			
Long-term borrowing	103	4,261,312,400.00	4,061,247,400.00	
Bonds payable	104	28,575,000,000.00	25,675,000,000.00	
Long-term payables	105	6,287,691.04	364,688,928.05	
Long term employee benefits payable	106	-	-	
Special payable	107	-	-	
Accrued liabilities	108	-	-	
Deferred revenue	109	1,123,723,860.53	1,124,000,000.00	
Deferred tax liabilities	110	991,494,676.68	991,494,676.68	
Other non-current liabilities	111	-	-	
Including: special reserve fund	112	-	-	
Total non-current liabilities	113	34,957,818,628.25	32,216,431,004.73	
Total liabilities	114	65,160,861,572.16	60,159,591,399.70	
Owner's equity:	115			
Paid-in capital (or share capital)	116	20,056,415,293.29	20,056,415,293.29	
National capital	117	20,056,415,293.29	20,056,415,293.29	
Including: state-owned legal person's capital	118	20,056,415,293.29	20,056,415,293.29	
Collective capital	119	-	-	
Private capital	120	-	-	
Including: personal capital	121	-	-	
Foreign capital	122	-	-	
# Less: returned investment	123	-	-	
Net paid-in capital	124	20,056,415,293.29	20,056,415,293.29	
Other equity instruments	125	20,100,000,000.00	12,500,000,000.00	
Including: preferred stock	126	-	-	
Perpetual capital securities	127	20,100,000,000.00	12,500,000,000.00	
Capital reserve	128	10,097,801,320.12	6,813,441,852.24	
Minus: Treasury shares	129	-	-	
Other Comprehensive Income	130	230,871,303.88	216,515,681.54	
Including: the foreign currency statement translation difference	131	-	-	
Special reserves	132	-	-	
Surplus reserves	133	1,137,059,283.25	1,090,703,720.32	
Including: statutory surplus reserves	134	1,137,059,283.25	1,090,703,720.32	
discretionary surplus reserves	135	-	-	
# Reserve fund	136	-	-	
#Enterprise expansion fund	137	-	-	
#Profits capitalizad on return of investment	138	-	-	
△Provision for normal risks	139	-	-	
Undistributed profit	140	5,782,921,584.38	6,175,902,718.16	
Total owners' equity belongs to parent company	141	57,405,068,784.92	46,852,979,265.55	
* Minority equity	142			
Total owners' equity	143	57,405,068,784.92	46,852,979,265.55	
Total liabilities and owners' equity	144	122,565,930,357.08	107,012,570,665.25	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Income Statement

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	NO.	Amount for the current period	Amount for the prior period	Notes NO.
1.Overall operating income	1	2,713,900,695.77	2,523,690,956.45	
Including: operating income	2	2,713,900,695.77	2,523,690,956.45	XII.4
△Interest income	3	-	-	
△Earned premium	4	-	-	
△Handling charges and commissions income	5	-	-	
2. Overall operating costs	6	3,278,788,028.48	3,268,471,900.42	
Including: operating costs	7	1,567,453,511.05	1,451,906,793.72	XII.4
△Interest expense	8	-	-	
△Handling charges and commissions expenses	9	-	-	
△Surrender value	10	-	-	
△Net payments for insurance claims	11	-	-	
△Net provision for insurance contracts	12	-	-	
△Expenditures dividend policy	13	-	-	
△Reinsurance expenses	14	-	-	
Taxes and surcharges	15	20,344,585.00	43,669,571.99	
Selling expenses	16	-	-	
Administrative expenses	17	270,159,322.11	265,300,062.47	
Including:Research and development expenses	18	-	-	
Financial expenses	19	1,488,764,015.36	1,505,943,563.31	
Including: Interest expense	20	2,086,382,974.88	1,968,608,565.85	
Interest revenue	21	627,701,519.45	656,143,127.33	
Foreign exchange losses ("-"for gains)	22	1,106,891.68	2,411,354.83	
Asset impairment loss	23	-67,933,405.04	1,651,908.93	
Others Income	24	-	-	
Add:Change in Fair Value of assets ("-"for loss)	25	-	-	
Investment income ("-"for loss)	26	1,037,881,688.44	1,101,045,759.57	XII.5
Including: Investment income from joint ventures and affiliates	27	-	-	
Income from of non-current assets ("-"for loss)	28	-20,424.85	13,182,599.59	
Other Income	29	-	-	
△ Foreign exchange gain ("-"for loss)	30	1,276,139.47	-	
3. Operating profit ("-"for loss)	31	474,250,070.35	369,447,415.19	
Add: Non-operating income	32	11,195,161.79	9,368,231.52	
Including:Gains from exchange of non-monetary assets	33	-	-	
Government grants	34	-	-	
Gains from debt restructuring	35	-	-	
Less: Non-operating expenses	36	5,250,556.58	15,748,488.86	
Including: Loss from exchange of non-monetary asset	37	-	-	
Loss from debt restructuring	38	-	-	
4. Total profit ("-" for loss)	39	480,194,675.56	363,067,157.85	
Less: income tax expense	40	16,639,046.31	-	
5. Net profit ("—"for loss)	41	463,555,629.25	363,067,157.85	
Net profit belongs to parent company	42	-	-	
*Minority interest	43	-	-	
Income of continuing operating	44	463,555,629.25	363,067,157.85	
Income of terminate operating	45	-	-	
6. Other comprehensive income after tax	46	14,355,622.34	-60,375,273.14	
Other comprehensive income after tax belongs to parent company	47	-	-	
(a) other comprehensive income can not be reclassified into the profit and loss in the future	48	-	-	
Including: 1. remeasure the benefit plan to benefit from the change in net liabilities or net assets	49	-	-	
2.Share enjoyed by the investment entity in other comprehensive income which can not be reclassified into profit and loss	50	-	-	
(b) Other comprehensive income after the reclassification into the gains and losses	51	-	-	
Including:1.Share of other comprehensive income which is classified into the profit and loss after being invested by the unit	52	-	-	
2.Changes in the fair value of available for sale financial assets	53	-	-	
3.Financial assets gains and losses hold to maturity investments which are classified as available for sale	54	-	-	
4.Effective part of cash flow hedging profit and loss	55	-	-	
5.Discount difference of foreign currency financial statements	56	-	-	
*Other comprehensive income after tax belongs to Minority shareholders	57	-	-	
7. Total comprehensive income	58	477,911,251.59	302,691,884.71	
Total comprehensive income belongs to parent company	59	-	-	
*Total comprehensive income belongs to minority shareholders	60	-	-	
8. Earnings per share :	61	-	-	
Basic earnings per share	62	-	-	
Diluted earnings per share	63	-	-	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Cash Flow Statement

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	NO.	Amount for the current period	Amount for the prior period	Notes NO.
1.Cash flows from operating activities :	1	--	--	
Cash receipts from the sale of goods and the rendering of services	2	2,471,404,285.12	1,893,857,695.29	
△Net increase of customer deposits and interbank deposits	3	-	-	
△Net increase of borrowings from Central Bank	4	-	-	
△Net increase of loans from other financial institutions	5	-	-	
△Cash received from primary insurance premium	6	-	-	
△Net cash received from reinsurance business	7	-	-	
△Net increase of ensured's savings and investment	8	-	-	
△Net increase of the disposal of financial assets whose changes included in the current profits and losses at fair value measurement	9	-	-	
△Cash received from interest charges, fees and commissions	10	-	-	
△Net increase of loans from other banks	11	-	-	
△Net increase of repurchase business capital	12	-	-	
Tax refunds	13	-	-	
Cash receipts from other operating activities	14	8,439,990,120.38	13,583,938,175.47	
Subtotal of cash inflows from operating activities	15	10,911,394,405.50	15,477,795,870.76	
Cash paid for goods and services	16	324,613,109.81	438,971,257.31	
△Net increase of customers loans and advances	17	-	-	
△Net increase of deposit from Central Bank and other banks	18	-	-	
△Cash payment of claims for original insurance contract	19	-	-	
△Cash payment of interests, fees and commissions	20	-	-	
△Cash payment of policy dividend	21	-	-	
Cash paid to and on behalf of employees	22	270,395,002.25	279,321,875.69	
Cash payment of all types of taxes	23	124,190,073.52	118,112,574.14	
Cash paid relating to other operating activities	24	16,519,673,724.83	13,928,214,561.13	
Subtotal of cash outflows from operating activities	25	17,238,871,910.41	14,764,620,268.27	
Net amount of cash flows from operating activities	26	-6,327,477,504.91	713,175,602.49	XII.6
2. Cash flows from investment activities :	27			
Cash received from disposal of investments	28	-	23,456,336.69	
Cash received from returns on investments	29	1,020,885,279.20	1,080,189,250.14	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	30	306,206.00	28,988,975.45	
Cash received from disposal of subsidiary and other operation department	31	5,360,000.00	-	
Cash received from other activities related to investment	32	34,000.00	4,059,632,177.77	
Subtotal of cash inflows from investment activities	33	1,026,585,485.20	5,192,266,740.05	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	482,748,808.23	982,646,530.71	
Cash paid to acquire investments	35	5,310,154,232.32	1,410,422,000.00	
△Net increase of pledge loans	36	-	-	
Net cash paid for acquisition of subsidiary and other operation	37	251,000,000.00	117,205,200.00	
Cash payment of other activities related to investment	38	-	4,000,000,000.00	
Subtotal of cash outflows from investment activities	39	6,043,903,040.55	6,510,273,730.71	
Net amount of cash flows from investment activities	40	-5,017,317,555.35	-1,318,006,990.66	
3. Cash flows from financing activities :	41			
Cash received from absorption of investment	42	7,584,000,000.00	4,975,000,000.00	
Including: Cash received from absorption of minority shareholders investment subsidiary	43	-	-	
Cash received from borrowing money	44	18,974,375,000.00	18,969,000,000.00	
△Cash received from issue bonds	45	7,982,875,000.00	-	
Cash received from other activities related to financing	46	-	357,663,900.28	
Subtotal of cash inflows from financing activities	47	34,541,250,000.00	24,301,663,900.28	
Cash repayments of amounts borrowed	48	19,792,029,320.14	20,642,592,525.00	
Cash payment of the distribution of dividends, profits or interest	49	3,167,613,532.04	2,357,523,756.42	
Including: Dividends, profits paid to minority shareholders by subsidiary	50	-	-	
Cash payments relating to other financing activities	51	24,518,926.95	18,442,951.51	
Subtotal of cash outflows from financing activities	52	22,984,161,779.13	23,018,559,232.93	
Net amount of cash flows from financing activities	53	11,557,088,220.87	1,283,104,667.35	
4. Influence of foreign exchange rate on cash and cash equivalents	54	-222,612.25	296,352.52	
5. Net increase in cash and cash equivalents	55	212,070,548.36	678,569,631.70	XII.6
Add: Opening balance of cash and cash equivalent	56	1,738,527,081.91	1,059,957,450.21	XII.6
6. Closing balance of cash and cash equivalents	57	1,950,597,630.27	1,738,527,081.91	XII.6

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Statement of Changes in Owners' Equity

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	NO.	Amount for the current year											Total owners' equity
		Paid in capital (or share capital)	Other equity instruments	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General Risk Preparation	Undistributed profit	Others		
NO.		1	2	3	4	5	6	7	8	9	10	11	
I. Balance at the end of last year	1	20,056,415,293.29	12,500,000,000.00	6,813,441,852.24	-	216,515,681.54	-	1,090,703,720.32	-	6,175,902,718.16	-	46,852,979,265.55	
Add: Changes in accounting policies	2												
error correction at earlier stage	3												
Others	4												
II. Balance at the beginning of the year	5	20,056,415,293.29	12,500,000,000.00	6,813,441,852.24	-	216,515,681.54	-	1,090,703,720.32	-	6,175,902,718.16	-	46,852,979,265.55	
III. Change amount of this year ("+" for increase)	6	-	7,600,000,000.00	3,284,359,467.88	-	14,355,622.34	-	46,355,562.93	-	-392,981,133.78	-	10,552,089,519.37	
(I) Overall comprehensive income	7	-	-	-	-	14,355,622.34	-	-	-	463,555,629.25	-	477,911,251.59	
(II) Input and reduction of the owner's capital	8	-	7,600,000,000.00	3,284,359,467.88	-	-	-	-	-	-	-	10,884,359,467.88	
I. Common stock input by owner	9	-	-	-	-	-	-	-	-	-	-	-	
2. Capital input by other equity instruments holder	10	-	7,600,000,000.00	-	-	-	-	-	-	-	-	7,600,000,000.00	
3. The amount of stocks paid into the owner's equity	11	-	-	-	-	-	-	-	-	-	-	-	
4. Others	12	-	-	3,284,359,467.88	-	-	-	-	-	-	-	3,284,359,467.88	
(III) The extraction and use of special reserve	13	-	-	-	-	-	-	-	-	-	-	-	
1. Extraction of special reserve	14	-	-	-	-	-	-	-	-	-	-	-	
2. Use of special reserve	15	-	-	-	-	-	-	-	-	-	-	-	
(IV) Profit distribution	16	-	-	-	-	-	-	46,355,562.93	-	-856,536,763.03	-	-810,181,200.10	
1. Withdrawal of surplus reserves	17	-	-	-	-	-	-	46,355,562.93	-	-46,355,562.93	-	-	
Including statutory surplus reserves	18	-	-	-	-	-	-	46,355,562.93	-	-46,355,562.93	-	-	
discretionary surplus reserves	19	-	-	-	-	-	-	-	-	-	-	-	
#Reserve fund	20	-	-	-	-	-	-	-	-	-	-	-	
#Enterprise expansion fund	21	-	-	-	-	-	-	-	-	-	-	-	
#Profits capitalizad on return of investment	22	-	-	-	-	-	-	-	-	-	-	-	
2. Extraction of provision for normal risks	23	-	-	-	-	-	-	-	-	-	-	-	
3. Distribution to the owners (or stockholders)	24	-	-	-	-	-	-	-	-	-810,181,200.10	-	-810,181,200.10	
4. Others	25	-	-	-	-	-	-	-	-	-	-	-	
(V) Internal transfer of owner's equity	26	-	-	-	-	-	-	-	-	-	-	-	
1. Capital reserve transferred to paid-in capital (or share capital)	27	-	-	-	-	-	-	-	-	-	-	-	
2. Surplus reserve transferred to paid-in capital (or share capital)	28	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserve used to offset losses	29	-	-	-	-	-	-	-	-	-	-	-	
4. Changes of carry over to the remeasurement of net liabilities or net assets	30	-	-	-	-	-	-	-	-	-	-	-	
5. Others	31	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at the end of the year	32	20,056,415,293.29	20,100,000,000.00	#####	-	230,871,303.88	-	1,137,059,283.25	-	5,782,921,584.38	-	57,405,068,784.92	

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Statement of Changes in Owners' Equity(Continued)

Company: Shandong Hi-Speed Group Co., Ltd

Year 2017

Monetary Unit: RMB

Item	Paid in capital (or share capital)	Other equity instruments	Capital reserves	Less: treasury stock	Amount for the previous year						General Risk Preparation	Undistributed profit	Others	Total owners' equity
					14	15	16	17	18	19				
NO.	12	13	14	15	16	17	18	19	20	21	22			
I. Balance at the end of last year	20,056,415,293.29	7,500,000,000.00	6,776,849,297.79	-	276,890,954.68	-	1,054,397,004.53	-	6,436,459,042.82	-	42,101,011,593.11			
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-			
error correction at earlier stage	-	-	-	-	-	-	-	-	-	-	-			
Others	-	-	-	-	-	-	-	-	-	-	-			
II. Balance at the beginning of the year	20,056,415,293.29	7,500,000,000.00	6,776,849,297.79	-	276,890,954.68	-	1,054,397,004.53	-	6,436,459,042.82	-	42,101,011,593.11			
III. Change amount of this year ("+" for increase)	-	5,000,000,000.00	36,592,554.45	-	-60,375,273.14	-	36,306,715.79	-	-260,556,324.66	-	4,751,967,672.44			
(1) Overall comprehensive income	-	-	-	-	-60,375,273.14	-	-	-	363,067,157.85	-	302,691,884.71			
(II) Input and reduction of the owner's capital	-	5,000,000,000.00	36,592,554.45	-	-	-	-	-	-	-	5,036,592,554.45			
1.Common stock input by owner	-	-	-	-	-	-	-	-	-	-	-			
2.Capital input by other equity instruments holder	-	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00			
3.The amount of stocks paid into the owner's equity	-	-	-	-	-	-	-	-	-	-	-			
4.Others	-	-	36,592,554.45	-	-	-	-	-	-	-	36,592,554.45			
(III) The extraction and use of special reserve	-	-	-	-	-	-	-	-	-	-	-			
1.Extraction of special reserve	-	-	-	-	-	-	-	-	-	-	-			
2.Use of special reserve	-	-	-	-	-	-	-	-	-	-	-			
(IV) Profit distribution	-	-	-	-	-	-	-	-	-623,623,482.51	-	-587,316,766.72			
1.Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-36,306,715.79	-	-			
Including statutory surplus reserves	-	-	-	-	-	-	-	-	-36,306,715.79	-	-			
discretionary surplus reserves	-	-	-	-	-	-	-	-	-	-	-			
#Reserve fund	-	-	-	-	-	-	-	-	-	-	-			
#Enterprise expansion fund	-	-	-	-	-	-	-	-	-	-	-			
#Profits capitalized on return of investment	-	-	-	-	-	-	-	-	-	-	-			
2.Extraction of provision for normal risks	-	-	-	-	-	-	-	-	-	-	-			
3.Distribution to the owners (or stockholders)	-	-	-	-	-	-	-	-	-587,316,766.72	-	-587,316,766.72			
4.Others	-	-	-	-	-	-	-	-	-	-	-			
(V) Internal transfer of owner's equity	-	-	-	-	-	-	-	-	-	-	-			
1.Capital reserve transferred to paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-			
2.Surplus reserve transferred to paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-			
3.Surplus reserve used to offset losses	-	-	-	-	-	-	-	-	-	-	-			
4.Changes of carry over to the remeasurement of net liabilities or net assets	-	-	-	-	-	-	-	-	-	-	-			
5.Others	-	-	-	-	-	-	-	-	-	-	-			
IV. Balance at the end of the year	20,056,415,293.29	12,500,000,000.00	6,813,441,852.24	-	216,515,681.54	-	1,090,703,720.32	-	6,175,902,718.16	-	46,852,979,265.55			

Legal Representative: Sun Liang

Chief Accountant: Wang Sijun

Person in charge of accounting department: Liang Zhanhai

Shandong Hi-Speed Group Co., Ltd

Notes to Financial Statements of 2017

(Unless otherwise stated, all amounts are denominated in RMB)

I. General Introduction

(I) Domicile, organization form and headquarter address

Shandong Hi-Speed Group Co., Ltd (hereinafter referred to as the Company or Company) is formerly named Shandong Expressway Co., Ltd which was established in June 1997. In July 1999, according to LU ZHENG ZI (1999) No. 136 document Reply of People's Government of Shandong Province on Approving Establishment of Shandong Expressway Limited Liability Company, name of the Company was changed to Shandong Expressway Limited Liability Company; it then be changed to Shandong Expressway Group Co., Ltd in 2005; according to Reply on Name Change and Articles of Incorporation Amendment of Shandong Expressway Group Co., Ltd (LU GUO ZI QI GAI HAN [2008] No. 11) issued by State-owned Assets Supervision and Administration Commission of Shandong Provincial Government in 2008, name of the Company was changed to Shandong Hi-Speed Group Co., Ltd and registered in Shandong Administration For Industry and Commerce. The company is a diversified limited company which engages in operation and management of expressway and construction of railway, port and airport.

The registered address and the headquarter of the Company is located at No.8, Long'ao Bei Road, Lixia District, Jinan City, Shandong Province and register capital is RMB 20,056,415,300. Legal Representative: Sun Liang.

(II) Nature of business and Main business activities of the enterprise

The company is in the field of highway management and maintenance industry, mainly engaged in construction, management, maintenance, operation, development and toll of highway, bridge, railway, port and airport; comprehensive development and operation of highway, bridge and area along the railway; design, consultation, scientific research and construction of civil works and communication engineering, and real estate development and operation (operation of above requires licenses); sales of building materials; machinery and electric equipment leasing; advertising business. (Business activities require prior approval are carried out with proper approval from relevant authorities.)

(III) Name of parent company and Group headquarter

The actual controller of the company is Shandong Provincial State-owned Assets Supervision and Administration.

(IV) Authorization of financial statements

This financial statement is authorized by the board of directors of the Company on April 27th, 2017.

(V) Introduction of principle business segments

The company's business segments consist of highway, railway operation, logistics industry, port shipping, construction, banking and insurance, resource and real estate and international business, among which high way operation and management is the core business segment of the Hi-Speed Group.

Main toll roads and bridges operated and managed by Company are shown as below:

company name	Name	Length (km)
Shandong high-speed group Co., Ltd.	Beijing-Fuzhou Highway, Tai'an-Zaozhuang section	193.15
Shandong high-speed group Co., Ltd.	Heze-Guanzhuang Highway	61.55
Shandong high-speed group Co., Ltd.	North line of Jinan belt highway	62.68
Shandong high-speed group Co., Ltd.	Qihe-Xiajin Highway	87.60
Shandong high-speed group Co., Ltd.	Yantai-Haiyang Highway	80.27
Shandong high-speed group Co., Ltd.	Lanshan - Cao County Highway, Linyi-Zaozhuang section	88.63
Shandong Hi-speed Company Limited	Jinan-Qingdao Highway	318.30
Shandong Hi-speed Company Limited	National trunk highway, Beijing-Shanghai Highway (auxiliary line), Jinan-Laiwu section highway ("Jinan-Laiwu Highway")	76.30
Shandong Hi-speed Company Limited	Hunan Hengyang-Shaoyang Highway ("Hengyang-Shaoyang Highway")	138.61
Shandong Hi-speed Company Limited	Tai'an-Qufu first class highway (Tai'an-Qufu Highway)	64.10
Shandong Hi-speed Company Limited	Beijing-Fuzhou Highway, Dezhou-Qihe North section ("Dezhou-Qihe North section")	52.20
Shandong Hi-speed Company Limited	Xuchang-Yuzhou Highway	39.50
Shandong Hi-speed Company Limited	Beijing-Fuzhou Highway, Qihe-Jinan Highway ("Qihe-Jinan section")	39.47
Shandong Hi-speed Company Limited	Beijing-Fuzhou Highway, Jinan-Tai'an Highway ("Jinan- Tai'an section")	60.61
Shandong Hi-speed Company Limited	Beijing-Fuzhou Highway, Dezhou-Qihe south section ("Dezhou-Qihe south section")	39.08
Shandong Hi-speed Company Limited	Weihai-Rushan Highway	79.60

company name	Name	Length (km)
Shandong Hi-speed Company Limited	Weifang-Laiyang Highway	140.64
Shandong Hi-speed Company Limited	Jinan Yellow River Bridge (“Jinan Bridge”)	2.02
Shandong Hi-speed Company Limited	Binzhou Yellow River Bridge (“Binzhou Bridge”)	2.93
Shandong Hi-speed Company Limited	Pingyin Yellow River Bridge (“Pingyin Bridge”)	1.01
Shandong Hi-speed Company Limited	Second Jinan Yellow River Bridge (“Second Jinan Bridge”)	5.75
Shandong Hi-speed Company Limited	Lijin Yellow River Highway Bridge	3.17
Shandong High Speed Group Henan Xu Bo Highway Co., Ltd.	Yongcheng-Dengfeng Highway, Fugou-Luyi section	117.66
Shandong high - speed Sichuan Industrial Development Co., Ltd	Sichuan, Leshan-Yibin City, Xiangbi County	137.78
Shandong high - speed Sichuan Industrial Development Co., Ltd	Sichuan, Leshan-Zigong Highway	113.20
Shandong high - speed Qingdao Development Co., Ltd	Qingdao Bay Bridge	28.88
Shandong high - speed Qingdao Development Co., Ltd	Qing-Lanzhou Highway, Qingdao section (Jiaozhou Bay Highway)	50.43
Shandong Province Rural Economic Development Investment Co., Ltd	National road 206 line, Laizhou, Jincheng County-Tushan County first class road (“North Laizhou Road”)	68.15
Shandong High-Speed Yunnan Development Co., Ltd	Yunnan Suolongsu-Mengzi Highway	78.76
Shandong High-Speed Yunnan Development Co., Ltd	Kunming New Airport Expressway	14.89
Hubei Wujing Freeway Development Co., Ltd	Wuhan-Jingmen Highway	183.21
Shandong High-Speed Road Co., Ltd	Dezhou-Shangqiu Highway, juancheng-heze section	44.65

II. Preparation basis of financial statement

The Company prepares the financial statements based on continuing operating, according to the transactions and events actually occurred and in accordance with the ASBE issued by the Ministry of Finance of PRC and supplementary regulations. The financial statements are prepared on the basis of the significant accounting policies and accounting estimates stated below.

III. Statement of conformity of Accounting Standards for Business Enterprises

Base on the above basis, the financial statement is compliance with the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance and truly and completely reflected the Company’s financial position, result of operations, and cash flow for the year then ended and other related information.

IV. Significant accounting policies and accounting estimates

note 1 Accounting period

The accounting year is from January 1st to December 31 in calendar year.

note 2 Recording currency

The Company adopts RMB as the recording currency.

note 3 Bookkeeping basis and valuation principles

The accrual basis of the Company is the bookkeeping basis. When the Company measures accounting elements, it adopts historical cost in general; as for the situation that measurement is carried out according to the criterion by adopting replacement cost, net realizable value, present value or fair value and other attributes, the Company shall give a special description.

note 4 Business combination

1. Multi-steps transactions in the process of business combination will be treated as a package of deal if terms, conditions and economic effects of the transactions fall on the following one or several occasions:

- (1) These transactions are conducted at the same time or when influences on each other are taken into consideration;
- (2) The entirety of these transactions can reach one complete business result;
- (3) The occurrence of one transaction depends on occurrence of at least one other transaction;
- (4) On transaction is not economical independently but economical when it is considered with other transactions.

2. Business combination under the same control

(1) Individual financial statements

If the consideration of the company is that it will make payment in cash, transfer non-cash assets, bear its debts or issue equity securities, it shall, on the day of merger, regard the share of the carrying amount in consolidated financial statement of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the merger consideration payment shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. If contingent consideration exists and estimated liabilities or assets require for reorganization, the difference between a number of estimated liabilities or assets and a settlement amount of subsequent contingent consideration shall offset against the capital reserve (capital premium or share premium); if the capital reserve is insufficient, the retained earnings shall be adjusted.

As for the fact that business combination is realized through several transactions and it belongs to package deal, all transactions will be regarded as one transaction to acquire control right so as to carry out accounting treatment; if it does not belong to a package deal, when the control right is acquired, as for the balance between the initial investment cost in long-term equity investment and the sum of book value of long-term equity investment before combination and book value of consolidation newly paid for shares at the combination day, the capital reserve will be adjusted; the retained earnings will be adjusted when the capital reserve is insufficient to be written down. As for equity investment held before combination day, accounting treatment will not be carried out temporarily for other comprehensive income recognized by adopting accounting by equity method or financial instruments for recognition and measurement criterion for checking until accounting treatment is carried out for it by adopting the basis which is the same with that invested organizations use to directly dispose relevant assets or liabilities at the time of disposing that investment; as for other changes of owner's equity except for net profit and loss, other comprehensive income and profit distribution in net assets of invested organization which is accounted by equity method, accounting treatment will not be carried out temporarily until the investment is transferred into current profit and loss at the time of being disposed.

Direct costs for the business combination shall, including the expenses for audit, assessment and legal services etc, be recorded in the profits and losses in the current period. Transaction costs directly related to issuing equity instruments as merging consideration shall offset against capital reserve; if the capital reserve is insufficient, offset surplus reserve and undistributed profits in turns. Transaction costs directly related to issuing debt instruments as merging consideration shall be included in debt instruments as initially recognized amount.

If the consolidated financial statements are presented by merged party, the initial investment cost of the long-term equity investment shall be determined on the basis of the owner's equity attributed to the parent company in the consolidated financial statements of merged parties on merging date.

(2) Combined financial statements

The assets and liabilities that the merging party obtains in a business combination shall be measured on the basis of the carrying amount in consolidated financial statements of the final controlling party of the merged party owner's equity on the date of combination.

For a business combination realized by multiple transactions, if it is a package deal, conduct accounting treatment by regarding all transactions as a transaction acquiring control; if it is not a package deal, changes on confirmed relevant profits and losses, other comprehensive incomes and on other owner's equity of long-term investment between the period which starts from the

acquisition date or the merging party and merged party are under common final control, which is later, to merging date shall offset beginning retained earning or profits and losses of current period in comparative statements period, respectively.

Where the accounting policy adopted by the merged party is different from that adopted by the merging party, the Company shall make adjustments according to accounting policies adopted by our company on the date of merging and shall, pursuant to the enterprise accounting standards, recognize them on the basis of such adjustment.

3. Business combination not under the same control

(1) Determination method of acquisition date

The Company determined acquisition date by combining agreements of combination contract or protocol and other relevant influential factors and on principle of substance over form. When following conditions are satisfied at the same time, it is deemed that transferring of control has been completed and acquisition date is formed. Relevant conditions include:

- 1) Enterprise combination contract or protocol has been approved by internal authorities of the Company such as shareholders meeting.
- 2) Combination Items need to be reviewed by relevant national authorities have been approved by them as required.
- 3) The Company and parties involved in the merger have completed essential property right transition procedures.
- 4) The Company has paid the majority of acquisition price (generally more than 50%) and is affordable and plans to pay residual payment.
- 5) The Company has in fact controlled finance and business policies of the acquisition, enjoys corresponding benefits and bears corresponding risks.

(2) Accounting treatment on merging date and preparation method of consolidated financial statements

For business combination not under common control, merging costs comprise paid assets, incurred to or born liabilities and fair value of issued equity instruments or debt instruments by the Company for obtaining control of acquire on the acquisition date. Future events agreed in merging contract that may affect the merging cost shall be, where it is estimated that the events are likely to happen and the amount incurred by its effects on merging cost can be calculated reliably on the acquisition date, also included in the merging cost.

Costs of our company for business combination shall, including intermediation costs for audit, legal services and assessment and consultation, and other relevant management costs, be recorded in the profits and losses in the current period; transaction costs of equity instruments or debt

instruments issued by the Company as merging consideration shall be included in initial recognition amount of equity instruments or debt instruments.

The difference between merging costs and fair value of identifiable net assets of obtained from acquire through merging, shall be recognized as goodwill by our company. Where merging costs is less than fair value of identifiable net assets of obtained from acquire through merging and recognized by recheck, shall be recorded in the profits and losses in the current period

For a business combination realized by multiple transactions of exchange, if it is a package deal, conduct accounting treatment by regarding all transactions as a transaction acquiring control; if it is not a package deal, accounting treatments shall be conducted correspondingly by using individual financial statement and consolidated financial statement:

1) In individual financial statements, when equity method is adopted for calculation of equity investment held prior to merging date, sum of book value of acquirer's equity investment held prior to acquisition date and newly increased investment cost on acquisition date shall be recognized as initial investment cost of this investment;

When equity investment held prior to merging date is recognized by adopting financial instruments and calculated by adopting measurement standard, a sum of the fair value of this equity investment on merging date and newly increased investment cost shall be recorded as initial investment cost on merging date. The difference between fair value and book value of originally held equity, and accumulated fair value changes which were included in other comprehensive incomes shall all be transferred into investment incomes in the current period of merging date.

2) In consolidated financial statements, equity held by the seller prior to acquisition date shall be recalculated on the basis of equity fair value on acquisition date, and difference between the fair value and its book value shall be recorded in investment incomes in current period; where seller's equity held prior to acquisition date is involved in other comprehensive incomes calculated by adopting equity method, the equity and other relevant comprehensive incomes shall be transferred to investment incomes in current period of acquisition date.

(3) Determination method of fair value of relevant transaction on merging date

1) For the monetary fund, it shall be determined on the basis of book balance of the seller on the acquisition date.

2) For financial instruments with an active market, including stock, bond and fund, it shall be determined on the basis of the market price in active market on the acquisition date.

3) For receivables, the fair value of short-term receivables shall be the receivable amount generally; fair value of long-term receivables shall be determined according to discounted present value at an appropriate interest rate. When determining the fair value of receivables, the

probability of bad debt and relevant collection expenses shall be taken into consideration.

4) For inventory, fair value of finished products and commodities shall be determined on the basis of results calculated by using estimated sales value minus estimated sales expenses and relevant taxes and of estimated profits may be realized according to acquirer's sales experience of similar finished products and commodities; fair value of unfinished products shall be determined on the basis of results calculated by using estimated sales value minus costs until completion, estimated sales expenses and relevant taxes and of estimated profits may be realized according to sales experience of similar finished products and commodities; fair value of raw materials shall be determined according to current replacement cost.

5) For financial instruments without active market such as equity investment, the fair value shall be determined by adopting appraisal technique.

6) For buildings, machinery and equipment and intangible assets, where there is active market, fair value of them shall be determined on the basis of market price on acquisition date; where there is no active market while there is active market for same kind or similar assets, fair value of them shall be determined by referring to market price of the same kind or similar assets; if there is no active market for same kind of similar assets, fair value shall be determined by adopting appraisal technique.

7) For receivables, notes payable, employee pay payable, bonds payable and long-term accounts payable, the fair value of short-term liabilities shall be determined on the basis of payable amount generally; fair value of long-term liabilities shall be determined as the discounted present value at an appropriate interest rate.

8) For obtained seller's contingent liabilities, where its fair value can be measured reliably, it shall be recognized as estimated liabilities. The fair value of the debt shall be the amount to be paid by the acquirer to the third party who willing to bear the debt against the obligations born by the third party.

9) For Deferred tax assets and deferred tax liabilities, where there is difference between fair value of obtained seller's various identifiable assets, liabilities and contingent liabilities and tax base of them, corresponding Deferred tax assets and deferred tax liabilities shall be recognized as regulations specified in Accounting Standard for Business Enterprises No. 18 - Income Taxes. The amount of recognized deferred tax assets and deferred tax liabilities shall not be discounted.

note 5 The preparation of consolidated financial statements

1. Scope of consolidation

The consolidation scope of the consolidated financial statements of the Company is determined on the basis of control and all subsidiaries (including the individual entities controlled by the Company) are included in the consolidated financial statements.

2. Process of consolidation

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries in accordance with other relevant information. The Company has prepared the consolidated financial statements and regarded the entire enterprise group as an accounting entity. According to the unified accounting policies, the Company's overall financial status, operating results and cash flow are reflected in accordance with the recognition, measurement and presentation requirements of the relevant accounting standards

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are in line with the Company. If accounting policies and accounting periods adopted by the subsidiaries are inconsistent with the Company, the necessary adjustments need to be made to them according to the Company's accounting policies and accounting periods when consolidated financial statements are prepared.

When composing the consolidated financial statements, the impact of the internal transactions between the Company and the subsidiaries, and the subsidiaries each other on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated shareholders' equity changes are offset. If the enterprise group merges the financial statements from the perspective of the company or subsidiary for the accounting subject of the same transaction is not the same time, from the perspective of the enterprise group to adjust the transaction.

The owner's equity of the subsidiaries, the net profit or loss for the current period and the share of the minority shareholders in the current consolidated income are separately presented under the net profit Items and the consolidated income Items under the consolidated equity Items under the owner's equity Items in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders 'share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

For the subsidiaries acquired under the same control, the financial statements shall be adjusted on the basis of the carrying amount of the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiary) in the final controlling party's financial statements.

For subsidiaries acquired by business combination not under the same control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date

(1) Acquisition of subsidiary or business

During the reporting period, if the subsidiary company or business is consolidated under the same control, the beginning balance of the consolidated balance sheet shall be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement ; The cash flow of the subsidiaries or business combination from the beginning of the

current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant Items of the comparative report are adjusted for the subject of the consolidated report has existed since the time when the final controlling party begins to control.

Due to additional investment and other reasons to be under the same control of the investee to implement control, as the parties involved in the merger in the final control of the beginning of control when the current state of existence to adjust. The equity income held prior to the acquisition of the controlling right of the merged party has confirmed the relevant gains and losses between the date of the same control and the date of merger and the merged party and the merged party to the date of merger, and the other comprehensive income, as well as other changes in net assets, respectively, compared with the beginning of the reporting period, retained earnings or current profits and losses.

During the reporting period, if the subsidiary company or business is not included in the merger under the same control, the balance sheet shall not be adjusted at the beginning of the consolidated balance sheet; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period The cash flow of the subsidiary or business from the date of purchase to the end of the reporting period is included in the consolidated cash flow statement.

The Company shall be subject to the fair value of the equity interest at the date of purchase, and the fair value of the Company shall be re-measured at the fair value of the acquisition date for the equity interest held by the acquirer held prior to the date of purchase if the investment is controlled under the same control due to additional investment. The difference between the book value is included in the current investment income. Other equity income and other comprehensive benefits related to changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution, other equity interests in the equity interests held by the acquirer prior to the acquisition date, The change of the equity interest in the current investment income of the acquisition date, except for the other comprehensive income arising from the re-measurement of the net profit or net asset change of the beneficiary plan.

(2) Disposal of subsidiaries or business

1) General method

During the reporting period, the Company disposed of its subsidiaries or business, the income, expenses and profits of the subsidiary or business period from the date of disposal to the consolidated income statement; the cash flow from the date of disposal of the subsidiary or the business date to the consolidated cash flow table.

If the company lost control of investee due to disposal of partial equity investment, the Company should re-measure the remaining equity investment after disposal based on its fair value on its disposal date. The difference, which equals the sum of the consideration for equity disposal and the fair value of remaining equity, less the sum of goodwill and the share of the net assets of original subsidiaries which shall be calculated at original shareholding ratio from the date of purchase or the date of consolidation, should be included into investment income at period that lost of control occurred. Other changes in owners' equity related to other comprehensive income

or net profit or loss, other comprehensive income and profit distribution related to the equity investment of the original subsidiaries shall be converted into current investment income when the control is lost. Since the investee is re-measured, except for other consolidated income arising from changes in net liabilities or net assets of the benefit plan.

2) Step-by-step disposal of subsidiaries

Through a number of transactions step by step disposal of equity investment in subsidiaries until the loss of control, the terms, conditions and economic effects of dealing with the equity investments of the subsidiaries are one or more of the following circumstances, which usually indicate that the transactions shall be treated as a package transaction for a number of transactions:

- A. These transactions are made at the same time or in consideration of each other's influence;
- B. The whole of these transactions in order to achieve a complete business results;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomical, but it is economical to consider with other transactions.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, The Company regards the transactions as a disposal of subsidiaries and loss of control transactions for accounting treatment; However, the difference between the disposal price and the disposal of the net asset share of the subsidiary before the loss of control is recognized as other comprehensive income in the consolidated financial statements and, in the event of loss of control, transferred to the current period of loss of control profit and loss.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction does not belong to a package of transactions, before the loss of control, according to the case of non-loss of control of the part of the disposal of the equity investment in the subsidiary of the relevant policies for accounting treatment; When the loss of control, according to the disposal of subsidiaries of the general approach to accounting treatment.

(3) Acquisition of minority interests in subsidiaries

The difference between the long-term equity investment acquired by the Company for the acquisition of minority interests and the share of the net assets beginning to be calculated from the date of purchase (or the merger date) in accordance with the new shareholding ratio, shall be adjusted in the capital premium of the capital reserve in the consolidated balance sheet, the capital premium of the capital reserve is insufficient to offset, adjust the retained earnings.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The disposal price of the long-term equity investment in the part of the disposal of the long-term equity investment in the case of no loss of control and the difference between the disposal of the long-term equity investment and the share of the net assets of the subsidiary from the date of purchase or the date of consolidation, Adjust the capital premium in the capital reserve in the consolidated balance sheet, and if the capital premium in the capital reserve is insufficient to

offset, adjust the retained earnings.

note 6 Recognition standard of cash and cash equivalent

In preparation statement of cash flow, cash on hand and deposits that are available for payment at any time of the Company shall be recognized as cash. Short term (generally due within three months from acquisition date) and highly liquid investments that are readily convertible to known amounts of cash shall be recognized as the cash equivalent.

note 7 Foreign currency transaction and translation of foreign currency statement

1. Foreign currency transaction

At the time of initial recognition of foreign currency transaction, spot exchange rate of the transaction day shall be adopted as conversion exchange rate to make conversion into RMB for account keeping. On balance sheet day, monetary Items of foreign currency shall be converted at spot exchange rate of balance sheet day. The balance of exchange incurred thereby, excluding balance of exchange incurred by specialized foreign currency borrowing in connection with to acquisition or construction of assets conforming to capitalization conditions which shall be treated based on the principle of capitalization of borrowing costs, shall all be included into current profits and losses. For non-monetary Items of foreign currency measured based on historical costs, the conversion shall still be based on spot exchange rate of transaction day, without changing amount of recording currency.

For non-monetary Items of foreign currency measured at fair value, the conversion shall be based on spot exchange rate of determination day of fair value, and balance of exchange incurred thereby shall be included into current profits and losses as profits and losses from the change in fair value. In case such non-monetary Items is of available-for-sale foreign currency, the resulting balance of exchange shall be included into other comprehensive income.

2. Translation of foreign currency financial statement

For assets and liabilities in the balance sheet, conversion shall be made at spot exchange rate of balance sheet day; for owner's equity, except "undistributed profit", conversion of all the other Item shall be based on spot exchange rate when such Items occurs. For income and expenses in the profit statement, conversion shall be based on spot exchange rate of transaction day

When disposing of an overseas business, an enterprise shall shift the balance, which is presented under the Items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. In the case of disposal of part of the equity investment or other reasons leading to a decrease in the proportion of overseas business interests but not the loss of control of foreign operations, foreign currency transactions related to the translation of foreign currency statements will be attributable to minority interests, not transferred to the current profits and losses. The difference between the translation of foreign currency statements related to the overseas operation shall be transferred to the disposal of the current profits and losses in accordance with the proportion of disposal of the overseas business when the overseas business is part of the equity interest in the joint venture or the joint venture.

note 8 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

Management has, according to contract terms of issued financial instruments and economic substance reflected by such terms other than its legal form only, and based on such purposes as acquiring financial assets and undertaking financial liabilities, classified financial assets and financial liabilities into different types: financial assets (or financial liabilities) measured at fair value and included in current profits and losses based on its variation; held-to-maturity investment; entrusted loan; receivables; financial assets available for sales; and other financial liabilities, etc..

2. Recognition base and measurement methods for financial instruments

In combination with its own business characteristics and risk management requirements, the financial assets are classified as: the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, loans and receivables, available-for-sale financial assets and held-to-maturity investment.

(1) The financial assets (financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

The financial assets or financial liabilities which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period , including trading financial assets or financial liabilities and financial assets or financial liabilities directly designated to be measured at fair value and included in current profits and losses.

Trading financial assets or financial liabilities refer to financial assets or financial liabilities conforming to one of the following conditions:

1) The purpose of acquiring such financial assets or financial liabilities is to sale, repurchase or redeem it in the near future;

2) Forming a part of identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidence proving that the Company may manage the combination by way of short-term profit making in the near future;

3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Only the financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as

measured at its fair value and of which the variation is included in the current profits and losses:

1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

2) The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

3) Hybrid instruments containing one or more embedded derivatives, unless embedded derivative(s) does not cause major changes to cash flow of hybrid instruments or it is apparent that embedded derivatives should not be split from relevant hybrid instruments;

4) Hybrid instruments containing embedded derivatives which need to be split but cannot be respectively measured at the time of acquisition or balance sheet day that follows.

For financial assets or financial liabilities measured at fair value and included in current profits and losses based on its variation, the Company will take its fair value (with deduction of cash dividends which have been declared while remaining unissued or bond interests which have come to its interest payment period while remain uncollected) as the initially recognized amount and will have the transaction cost included in current profits and losses. During the holding period, the acquired interests or cash dividends shall be recognized as investment income and variation of its fair value shall be included in current profits and losses at the end of the period. At the time of disposal, the difference between its fair value and the initially recorded amount shall be recognized as investment income; at the meantime, profits or interests from the change of fair value shall be adjusted.

(2) Receivables

For receivable claim formed from commodity sales or provision of services as well as creditor's rights of other enterprises held by the Company which does not include liability instruments with quoted price in an active market, including receivables and other receivables, notes receivable, advance payment and long-term receivables, etc., the contractual or agreed price to be received from the buyer shall be taken as initial recognition amount; for those of financing nature, initial recognition shall be made at its current value.

At the time of recovery or disposal, the difference between such acquired amount and book value of such receivables shall be included in current profits and losses.

(3) Entrusted loan

Valuation and income recognition methods for entrusted loan: actual amount of entrusted loan to financial institutions shall be recorded as actual cost and the interest accrued shall be calculated according to accrual-basis accounting; in case withdrew interests cannot be recovered at the time of expiration, withdrawal shall be ceased and already withdrew interests shall be refunded;

At the end of the period, entrusted loan shall be measured at its book value or recoverable amount whichever is lower:

1) Recognition standard for depreciation reserves for entrusted loan: principal of the entrusted loan shall exceed its recoverable amount.

2) Withdrawal method for depreciation reserves for entrusted loan: every half a year or at the end of each year, withdrawal shall be made based on the difference between the recoverable amount which is of smaller amount and book value of each entrusted loan.

(4) Held-to-maturity investment

The held-to-maturity investment refers to the non-derivative financial asset with fixed maturity date, fixed or ascertainable recoverable amount and that the Company intends to and has the ability to hold to the maturity date.

When the Company obtains the held-to-maturity investment, it will take the sum of fair value (deducting the bond interest in due interest payment period but not collected) and relevant transaction expenses as the initial recognition amount. It will calculate and recognize the interest income based on the amortized cost and actual interest rate and include it in the return on investment. When in disposing of the held-to-maturity investment, the Company will include the balance between the obtained price and the book value of the investment in the return on investment.

In case the held-to-maturity investment is disposed of or reclassified as a number of other financial assets which is relatively more than the total amount of all held-to-maturity investments of the Company prior to sales or reclassification, the remaining held-to-maturity investment upon disposal or reclassification shall be promptly reclassified as financial assets available for sales; the balance between of book value and fair value of the investment shall be included in other comprehensive incomes and transferred out in the impairment or de-recognition of the financial assets available for sales and then included in the current profit and loss. However, except for the following conditions:

1) The selling date or reclassification date is close to the maturity date or redemption date of the investment (such as, within three months before maturity) and the market interest rate has no significant impact on the fair value of the investment.

2) As the payment method agreed herein, the enterprise can recover almost all initial principals.

3) The selling or reclassification arises out of the enterprise incapable of controlling or expecting the independent events that will not reoccur or be difficult to reasonably predict.

(5) Financial assets available for sales

The financial asset available for sales refers to the non-derivative financial assets assigned available for sales in initial recognition and the financial assets other than other financial assets classification.

When the Company obtains the financial asset available for sales, it will take the sum of fair value (deducting the cash dividend announced but not issued or the bond interest in due interest payment period but not collected) and relevant transaction expenses as the initial recognition amount. It will recognize the interest or cash dividend obtained in holding period as the return on investment. The profit or loss generated in the fair value change of the financial assets available for sales other than the balance of exchange formed in the impairment loss or foreign monetary financial assets shall be directly included in other comprehensive incomes. In disposing the financial assets available for sales, the balance between of the price obtained and the book value of the financial assets shall be included in the profit and loss on investment; meanwhile, the amount of disposal corresponding to the accumulated amount of fair value change originally directly included in other comprehensive incomes shall be transferred out and included in the profit and loss on investment.

3. Recognition basis and measurement method for transfer of financial assets

When the financial assets of the Company are transferred, and in case almost all risks and remunerations on the ownership of the financial assets have been transferred to the transferee, the financial assets shall be de-recognized; in case almost all risks and remunerations on the ownership of the financial assets have been reserved, the financial assets will not be de-recognized.

In judging whether the transfer of financial assets meets the said de-recognition condition of the financial assets, the principle of substance over form shall be employed. The Company will divide the transfer of financial assets into an overall transfer and partial transfer of financial assets. In case the overall transfer of financial assets meets the de-recognition condition, the balance between the following two amounts shall be included in the current profit and loss:

(1) Book value of transferred financial assets;

(2) The sum of consideration obtained from transfer and the accumulated amount of fair value change originally included in the ownership interest (concerning the condition that the transferred financial assets are financial assets available for sales).

In case the partial transfer of financial assets meet the de-recognition condition, the amount between the de-recognized part and part without de-recognition of the book value of the overall transferred financial assets shall be amortized as per respective corresponding fair value and the balance of the following amounts shall be included in the current profit and loss:

(1) Book value of de-recognition part;

(2) The sum of consideration obtained from transfer and the amount of de-recognition part corresponding to the accumulated amount of fair value change originally included in the ownership interest (concerning the condition that the transferred financial assets are financial assets available for sales).

In case the transfer of financial assets fails to meet the de-recognition condition, the financial assets shall continue to be recognized and the consideration received shall be recognized as financial liabilities.

4. De-recognition condition of financial liabilities

In case the current obligations of the financial liabilities have been completely or partially released, the financial liabilities or partial financial liabilities shall be de-recognized; in case the Company enters into agreement with the creditor to assume new financial liabilities in replacement for the existing financial liabilities and the contract terms of the new financial liabilities are substantially different from that of the current ones, the existing financial liabilities shall be de-recognized and at the same time the new financial liabilities shall be recognized.

In case complete or partial contract terms of the existing financial liabilities are substantially amended, the existing financial liabilities or partial ones shall be de-recognized and meanwhile, the financial liabilities upon the terms amendment shall be recognized as new financial liabilities.

In case the financial liabilities completely or partially are de-recognized, the balance between the book value and the payment consideration of the de-recognized financial liabilities (including transferred-out non-cash assets or assumed new financial liabilities) shall be included in the current profit and loss.

In case the Company repurchases partial financial liabilities, it will distribute the book value of the overall financial liabilities as per the relevant fair value of the part continued to be recognized or de-recognized on the repurchase date. The balance between the book value distributed to the de-recognized part and paid consideration (including transferred-out non-cash assets or assumed new financial liabilities) shall be included in the current profit and loss.

5. Determination method for fair value of financial assets and financial liabilities

The fair value of the financial assets and financial liabilities existing in the active market of the financial assets and financial liabilities measured by the Company with the fair value shall be

determined as per the offer of active market; for the financial assets initially obtained or derived or assumed financial liabilities, the market transaction price shall be taken as the basis for determination of its fair value; for the financial assets or financial liabilities without active market, its fair value shall be determined with the valuation technology. In valuation, the Company employs applicable valuation technology with sufficient available data and other information support in current condition to select the input value consistent with the assets or liabilities considered by the market participant in relevant assets or liabilities transaction and give priority in use of relevant observable input value as much as possible. In case the relevant observable input value is unobtainable or infeasible, the unobservable input value shall be used.

6. Provision for impairment of financial assets (excluding receivables)

The book value of financial assets other than the financial assets with fair value measured and its change included in the current profit and loss other than shall be examined on the balance sheet date, and in case there is objective evidence showing that the financial asset is impaired, the provision for impairment shall be withdrawn.

The objective evidence of the impairment of financial assets includes but not limited to:

- (1) The issuer or the debtor has serious financial difficulties;
- (2) The debtor is in breaches of the contract terms, such as the default in interest or principal payment and interest or principal payment overdue;
- (3) The creditor makes concessions to the Debtor with financial difficulties on account of economic or legal factors;
- (4) The debtor probably closes down or goes into other financial restructurings;
- (5) Due to serious financial difficulties of the Issuer, the financial assets can not continue to be traded on the active market;
- (6) It is impossible to recognize whether the cash flow of certain assets in one group of financial assets has been reduced or not, but based on the announced data, it is found upon comprehensive evaluation, the estimated future cash flow of this group of financial assets has been reduced and measurable since the initial recognition; in case the payment capacity of the Debtor of this group of financial assets gradually worsens, or the unemployment rate of the country or region where the Debtor is located increases and the price of collateral in the region dramatically declines or the industry it is engaged in is sluggish;
- (7) If substantial adverse changes happen on issuer's technology, market, economy or legal environment, the equity instrument investor may fail to recover the investments costs;
- (8) Serious or non-temporary decline of fair value of equity instrument investment;

The specific impairment methods for the financial assets are as follows:

(1) Impairment provision of available-for-sale financial assets:

When impairment of available-for-sale financial assets measured at costs occur, determine impairment loss according to the balance between its book value and market returns of similar financial assets in current period against determined present value by discounting of future cash flow. Incurred impairment loss shall not be returned.

(2) Provision for impairment of held-to-maturity investment:

In case there is objective evidence showing that the held-to-maturity investment is impaired the impairment loss shall be calculated and recognized based on the balance of its book value and estimated present value of future cash flow; in case there is evidence showing the recovery of its value upon withdrawing, the impairment loss originally recognized shall be written back and then included in the current profit and loss, but the book value written back shall not exceed the amortized cost of the financial assets on the writing-back date on the assumption of not withdrawing provision for impairment.

7. Offset of financial assets and financial liabilities

The financial assets and financial liabilities are respectively listed in the balance sheet without mutual offset. However, in case the following conditions are satisfied simultaneously, the net amount of mutual offset shall be listed on the balance sheet:

(1) The Company has the legal right to offset recognized amount and this legal right is currently executable;

(2) The Company plans to execute netting or meanwhile realizes the financial assets and pays off the financial liabilities.

note 9 Hedging instrument

The Company will classify the hedge into fair value hedge, cash flow hedge and the hedge of net investment in overseas operation based on the hedging relationships.

1. The hedging instrument meeting the following conditions shall be treated with the hedge accounting method.

(1) When hedge begins, the Company has officially specified the hedge relationship (namely the relationship between the hedging instrument and hedged Items) and prepared official written documents of hedge relationship, risk management objective and hedging strategy;

(2) The hedge is expected to be highly effective and in conformity with the risk management strategy initially determined for the hedging relationship by the Company;

(3) For the cash flow hedge of forecasted transaction, the forecasted transaction probably occurs and has to make the Company face the risk of cash flow change finally impacting the profit and loss;

(4) The hedge effectiveness can be reliably measured;

(5) Continuously evaluate the hedge effectiveness and ensure that the hedge is highly effective within the specified accounting period of the hedge relationship.

When the hedge simultaneously meets the following conditions, the Company will deem it highly effective: (1) in hedge beginning and subsequent period, the hedge is expected to highly effectively offset the change in fair value or cash flow arising out of the hedged risk within specified hedge period; (2) the actual offset result of the hedge is between 80% to 125%.

2. Accounting treatment for fair value hedge

(1) Basic requirements

1) In case the hedging instrument is derivative instrument, the profit or loss formed in the change of fair value shall be included in the current profit and loss; in case the hedging instrument is not derivative instrument, the profit or loss formed in the change in exchange rate of the book value shall be included in the current profit and loss.

2) The profit or loss formed by the hedged risk of hedged Items shall be included in the current profit and loss and the book value of the hedged Items shall be adjusted simultaneously. In case the hedged Items is inventory offset with the net realizable value subsequently measured based on the cost, financial asset or financial asset available for sales subsequently measured based on the amortized cost, it shall be treated as specified herein.

(2) Treatment for profit and loss of hedged Items

1) For the fair value hedge of partial interest rate risk of financial assets and financial liability group, the Company will treat the profit and loss formed by the hedged Items based on the following methods:

① In case the hedged Items is asset within the re-pricing period, it shall be separately listed in the asset Items of balance sheet and then written off in de-recognition;

② In case the hedged Items is the liability within the re-pricing period, shall be separately listed in the liability Items of the balance sheet and then written off in de-recognition.

2) In case the hedged Items is financial instrument measured as per amortized cost, the adjustment of the book value of the hedged Items shall be amortized from the adjustment date to the maturity date based on the actual interest rate recalculated on the adjustment date and then included in the current profit and loss.

For the fair value hedge of interest rate risk portfolio, relevant Items shall be separately listed on the balance sheet and amortized from the adjustment date to the ending date of the relevant re-pricing period based on the actual interest rate recalculated on the adjustment date. In case it is infeasible to amortize with actual interest rate method, it can be amortized with the straight-line method. The adjustment amount shall be amortized completely before the maturity date of the financial instrument; the fair value hedge of interest rate risk portfolio shall be amortized completely before the ending date of the relevant re-pricing period.

3) In case the hedged Items is the firm commitment not yet recognized, and the firm

commitment is recognized as an asset or liability for the accumulated amount of the change in fair value arising out of the hedged risk, relevant profit or loss shall be included in the current profit and loss.

4) In the fair value hedge of firm commitment to purchase asset or assume liability, in case the firm commitment (has been recognized as asset or liability) for the accumulated amount of the change in fair value arising out of the hedged risk, the initial recognition amount of asset obtained or liability assumed in the performance of the firm commitment shall be adjusted.

(3) Conditions of termination of accounting method for fair value hedge

In case the hedge meets one of the following conditions, the fair value hedge accounting shall be terminated:

1) The hedging instrument has been due or sold or the contract is terminated or performed.

2) In case the hedge instrument extension is substituted by another hedging instrument and the extension or substitute are parts of the hedging strategy expressly recorded in the official written document of the Company, it will not be treated as maturity or contract termination.

3) The hedge does not meet the condition of application of hedge accounting method anymore.

4) The Company cancels the hedge relationship designation.

3. Cash flow hedging accounting treatment

(1) Basic requirements

1) The part belonging to effective hedging in the profits or losses of hedging instrument shall be directly recognized as owner's equity and reflected in separate Items. The amount of the part of effective hedging shall be determined in accordance with the lower of the absolute amounts of the following two Items:

① Accumulative profits or losses of the hedging instrument from the beginning of hedging;

② Accumulative change of the expected present value of future cash flows of the hedged Items from the beginning of hedging.

2) The part belonging to ineffective hedging in the profits or losses of hedging instrument (other profits or losses after the deduction of those directly recognized as owner's equity) shall be included in current profit and loss.

3) In the formal written document of risk management strategy, it is clearly stated that the effect of certain part of profits or losses or related cash flows of hedging instrument will be excluded during the evaluation of the hedging effectiveness and that the treatment of this part of profits or losses being excluded will apply to No.22 Accounting Standards for Business Enterprises---Financial Instruments Recognition and Measurement.

(2) Follow-up treatment of profits or losses of hedging instrument

1) In case the hedged Items is expected transaction and the forecast transaction leads to the subsequent recognition of a financial asset or financial liability by the Company, the related profits or losses previously directly recognized as owner's equity will be transferred out in the same period when the financial asset or financial liability affects the profit and loss of the Company and included in current profit and loss. However, when the Company expects that the whole or part of net losses previously and directly recognized in the owner's equity can not be compensated in the future accounting period, the part which can not be compensated shall be transferred out and included in current profit and loss.

2) In case the hedged Items is expected transaction and the forecast transaction leads to the subsequent recognition of a financial asset or financial liability by the Company, the related profits or losses previously and directly recognized in the owner's equity will be transferred out in the same period when the financial asset or financial liability affects the profit and loss of the Company and included in current profit and loss. However, when the Company expects that the whole or part of net losses previously and directly recognized in the owner's equity can not be compensated in the future accounting period, the part which can not be compensated shall be transferred out and included in current profit and loss.

3) For the situation which does not belong to the situations in 1) and 2), the profits or losses of hedging instrument previously directly included in the owner's equity will be transferred out in the same period when the hedged transaction affects profit and loss and included in current profit and loss.

(3) Conditions for the termination of cash flow hedging accounting methods

1) When the hedging instrument is due or sold out or the contract is terminated or performed, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out and they will not be treated in accordance with relevant regulations until the actual occurrence of the expected transaction.

2) When the hedging can no longer meet the requirements for the application of hedge accounting methods specified by hedging rules, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out and they will not be treated in accordance with relevant regulations until the actual occurrence of the expected transaction.

3) When the expected transaction is expected not to occur, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall be transferred out and included in current profit and loss.

4) When the Company revokes the appointment of a hedging relationship, for the expected transaction hedging, the profits or losses of hedging instrument directly included in the owner's equity in the term of validity of hedging shall not be transferred out until the actual occurrence of the expected transaction or expectation of nonoccurrence. If the expected transaction actually occurs, the treatment shall be carried out in accordance with relevant regulations; if it is expected

that the expected transaction will not occur, the profits or losses of hedging instrument directly included in the owner's equity shall be transferred out and included in current profit and loss.

4. Hedging of net investment in an overseas operation

For the hedging of net investment in an overseas operation, the Company shall treat in accordance with the regulations similar to that of cash flow hedging accounting: The part belonging to effective hedging in the profits or losses of hedging instrument shall be directly recognized as owner's equity and reflected in separate Items. For the disposal of overseas operations, the above-mentioned profits or losses of hedging instrument reflected in separate Items in the owner's equity shall be included in current profit and loss. The part belonging to ineffective hedging in the profits or losses of hedging instrument shall be included in current profit and loss.

note 10 Accounts receivables

1. Accounts receivable with significant single amounts and for which bad debt provision is drawn individually

Recognition standard for the accounts receivables with significant single amount and the bad debt reserve of them is withdrawn individually

The specific standard for the accounts receivables with significant single amount is more than RMB 30 million (included).

Provision method for the bad debt reserve of the accounts receivables with significant amount:

An independent impairment test shall be made, and bad debt provision shall be provided and recognized in current profit or loss. The provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2. Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics

(1) Basis for the determination of credit risk characteristics combination

The receivables with insignificant single amount together with the receivables with significant single amount and without impairment after the separate test shall be divided into several combinations and the bad debt reserve shall be withdrawn based on the current situation in accordance with the actual loss ratio of the receivables combination with similar credit risk characteristics of the previous years.

Basis for the determination of combination

Combination name	Provision method	Basis for the determination of combination
Related party combination	No provision for bad debts	All related parties
Riskless combination	No provision for bad debts	According to the nature of the business, identified as non-credit risk, including accounts receivable from government departments, the reserve of the staff, security and deposit, etc.

Combination name	Provision method	Basis for the determination of combination
Combination determined by aging of accounts	Aging analysis method	Including receivables other than the above combination, The Company makes the best estimate of the bad debts of accounts receivable based on past historical experience, and the credit risk combination is classified according to the aging of accounts receivable

(2) Withdrawing method determined in accordance with credit risk characteristics combination

①Provision for bad debts using aging analysis method

Aging	Provision for bad debts based on proportion of accounts receivable (%)	Provision for bad debts based on proportion of other receivables (%)
Within 1 year	0-5	0-5
1—2 years	0-10	0-10
2—3 years	0-30	0-30
3—4 years	50-60	0-50
More than 4 years	80-100	80-100

②Provision for bad debts using other combinations

Combination name	Method Description
Related party combination	There is no provision for bad debts for accounts receivable of related parties included in the scope of consolidation
Riskless combination	Riskless combination based on the nature of the business does not accrue bad debt provision

3.Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually

The reason for the provision for bad debts is: there is objective evidence that the Company will not be able to recover the original terms of the accounts receivables.

The provision for bad debts is based on the difference between the present value of the expected future cash flow of accounts receivable and the book value.

note 11 Inventory

1. Inventory classification

Inventory refers to the finished products or commodities held by the Company in daily activities for sale, unfinished products in the production process, materials or supplies consumed during the process of production or service rendering. It mainly includes raw materials, revolving

materials, outside processing materials, unfinished products, self-made semi-finished products, finished products (commodity stocks), goods in transit and etc.

2. Valuation method of stock

Inventories are initially measured at cost, including procurement costs, processing costs and other costs. When the inventory is issued, the weighted average method is used to determine the actual cost of issuing the inventory. Low-value consumables and packaging are amortized using one-time written off method and other revolving materials are amortized using a resale method.

3. Inventory system of inventory

Company inventory implementation of the perpetual inventory system, and inventory is inventoried at the end of each year. Net profit and loss are recognized in profit or loss for the current period. The inventory profit and loss are recognized in profit or loss for the current period.

4. Amortization method of low value consumables and packing materials

- (1) One-time write-off method is adopted for low value consumables;
- (2) One-time write-off method is adopted for packing materials;
- (3) One-time write-off method is adopted for other revolving materials.
- (4) Steel formwork, timber formwork, scaffold and other revolving material and adopt several times amortization method for the amortization.

5. Determination basis of net realizable value of inventory and withdrawing method for inventory falling price reserves

The inventory falling price reserves shall be withdrawn or adjusted based on the lower amount of the cost and net realizable value of inventory after the complete check of inventory at the end of the period. For such merchandise inventories as finished products, commodity stocks and materials for sale which are directly for sale, the net realizable value shall be determined as the amount of the estimated sale price of the inventory minus marketing expenses and related taxes during the normal production and operation process; for the material inventory to be processed, the net realizable value shall be determined as the amount of estimated sale price of the finished product minus the estimated cost to be incurred till the completion and estimated marketing expenses and related taxes during the normal production and operation process; for the inventory held for the performance of the sales contract or labor contract, its net realizable value shall be calculated based on the contract price. In case the quantity of the inventory held is larger than the quantity ordered in the sales contract, the net realizable value of the extra inventory shall be calculated based on the ordinary sale price.

The inventory falling price reserves shall be withdrawn in single inventory Items at the end of the period; for the inventory with large quantity and low unit price, the inventory falling price reserves shall be withdrawn in accordance with the inventory category; for the inventory related to

the product series produced and sold in the same area with the same or similar end use or purpose which is hard to be measured separately from other Items, the inventory falling price reserves shall be withdrawn in combination.

In case the influence factor of the previous inventory value write-down has disappeared, the amount written down shall be recovered and turned back from the amount of the inventory falling price reserve previously withdrawn and the amount turned back shall be included in current profit and loss.

note 12 Long-term Equity Investment

1. Determine the cost of investment

(1)As for long-term equity investment caused by business combination and detailed accounting policy can refer to Annotation IV / (IV)accountant arrangement method of business combination.

(2)Long-term equity investment caused by other methods

As for long-term equity investment gained by cash, take purchasing price of actual payment as the initial investment cost, which includes fees, taxes and other necessary expenses directly related to obtain long-term equity investment.

As for long-term equity investment gained by issuing equity securities, take the fair value of issued equity securities as the initial investment cost; transaction expenses on issuing or obtaining equity investment of oneself, part of which being directly attributable to equity transaction can be deducted from equities.

It is on the premise that there is commercial essence in the exchange of non-monetary assets and the fair value of assets received or surrendered can be calculated reliably. As for long-term equity investment received by exchanging non-monetary assets, its initial investment cost shall be determined as the fair value of assets surrendered, except concrete evidence can be taken to show the reliability of the fair value of assets received. As for exchange of non-monetary assets without the above premise, it is required to take the book value of assets surrendered and related payable taxes and dues as the initial investment cost of long-term equity investment.

As for long-term equity investment gained by debt restructuring, its initial investment cost shall be determined as the fair value.

2. Determination of following measurement and profits and losses

(1) Cost Method

Our company can adopt cost accounting method for long-term equity investment controlled by investment unit and based on initial investment cost valuation, supplement or withdraw the cost of adjusting long-term equity investment.

Except for the actual investment payment of the price or cash dividends or profits declared but not issued contained in consideration, our company will take cash dividends or profits declared to be assigned by the invested unit as the current income from investment.

(2) Equity Method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. Being a part of that, the equity investment of joint venture indirectly held by venture capital institution, mutual fund, trust company or similar bodies including unit-linked insurance and fund can be measured by fair value and its variation can be included in profits and losses.

If initial investment cost of long-term equity investment is more than the balance of due share of fair value of an identifiable net asset of invested unit, the initial investment cost shall not be adjusted. On the contrary, the initial investment cost shall be included in current profits and losses.

After getting the long-term equity investment, according to the share of deserved or shared net profit or loss and other comprehensive income from the invested company, determine the net profit or loss and other comprehensive income separately and adjust the book value of long-term equity investment. Based on the profits or cash dividend declared to be assigned by the invested company, measure the shared portion and decrease the book value of long-term equity investment correspondingly. As for other variation of owner's equity except for profits and losses, other comprehensive income and distribution of profits deducted by invested company, adjust the book value of long-term equity investment and count it into owner's equity.

When the company confirms the share of deserved net profit and loss from invested company, on the basis of gained the fair value including identifiable assets in investment from invested company, adjust and then confirm net profit from invested company. As for profit and loss from unrealized internal transaction among the company, joint venture and cooperative enterprise, according to the shared proportion, calculate the portion of the company and offset it. On this basis, determine the investment profit and loss.

When the Company recognizes its share of loss incurred to the investee, treatment shall be done in following sequence: firstly, write down the book value of long-term equity investment; secondly, as for the book value is not enough to write down, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, by the above treatment, if the company has to still undertake the additional obligation under the investment contract or agreement, based on the obligation, we shall determine the expected liabilities and count it as the current profit and loss.

When the invested company makes profits afterward, deduct the undetermined proportion of loss and do as the reversed sequence. Write down the book value of determined and expected liabilities; recover the long-term equity constituting a net investment of invested company in essence and book value of long-term equity investment and then determine the investment income.

3. Determine the basis of control, joint control and significant impact on the invested company

If the company has some right in the invested company, it can gain variable return by joining relative activities; it has the right to use the power of the invested company to influence the return amount, which means the company controls the invested company.

As the related agreement, the company with other participants jointly controls a certain arrangement of the invested company and has the significant decision-making power of return, but it shall make effective only by joint agreement of other participants who hold the shared control power, which means the company and other participants jointly control arrangement. That is a joint arrangement.

The joint arrangement is made by a sole body. As a related agreement, if the company has the right to net assets of a sole body, we can consider the sole body as the joint venture and adopt equity method to measure. As the related agreement, if the company does not have the right, we take it as a joint operation. The company can determine the interest shares by joint operation related to corresponding projects and conduct accounting treatment as requirements of related Accounting Standards for Business Enterprises.

Significant impact refers to that investors have the right to take part in the decisions of financial and operational policies, but they cannot control the decision making by oneself or with other parties. After considering all facts and conditions comprehensively and combining the following one or several Items, the Company determines the significant impact on invested company. (1) Dispatch a representative to the board of directors or similar authorities. (2) Participate in the process of making financial and operational policies. (3) Make a great transaction with invested company. (4) Dispatch managers to the invested company. (5) Provide key technical data to the invested company.

4. Switch of accounting method of long-term equity investment

(1) Convert fair value measurement to equity method

Due to additional investment and other reasons, the company can make a significant impact on or jointly control but not completely control the invested company. As the stipulations of No. 22 *Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*,

the sum of a determined fair value of originally held equity investment and newly increased investment cost shall be taken as the initial investment cost calculated by the equity method.

Originally held equity investment includes available-to-use financial assets. The balance of its fair value and book value and the change of accumulated fair value calculated into other comprehensive income shall be counted as current profits and losses by equity method.

If the initial investment cost calculated by equity method is less than the share of recognizable net assets obtained from invested company at the date of doing additional investment calculated and determined as the new holding proportion after additional investment, as for the balance of initial investment cost and the share, we shall adjust book value of long-term equity investment and count it into current nonbusiness income.

(2) Convert Fair value measurement or equity method to cost method

As to equity investment as the recognition and calculation standard of financial tools held originally held by the company which cannot control, jointly control or significant impact on the invested company, or as to long-term equity investment of joint venture and cooperative enterprise held originally by the company, due to additional investment and other reasons, the company can control the invested company in non-unitary control, when preparing the individual financial statement, take the sum of book value of equity investment held by the company originally and new increasing investment cost as the initial investment cost by cost method.

As to equity investment originally held before the purchase date determine the other comprehensive income by equity method, when disposing of the investment, we shall do the accounting on the same basis of assets or liabilities relating to direct disposition by invested company.

Do accounting to the equity investment held before purchase date as the stipulation of *No. 22Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*. Change of accumulated fair value which is counted as other comprehensive income shall be converted into current profits and losses by the cost method.

(3) Convert equity method to fair value measurement

The Company has lost the joint control or significant influence on the investee due to the disposal of part of the equity investment and other reasons. We shall do accounting as the stipulations of *No. 22Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and losses since the day when losing joint control or significant influence.

As for other comprehensive income recognized by original equity investment by the way of equity method calculation, when terminating the calculation of equity method calculation, we shall

adopt the accounting according to the same basis of related assets or liabilities directly disposed of invested company.

(4) Convert cost method to equity method

The Company has lost control of the investee due to the disposal of part of the equity investment and other reasons. When preparing the individual financial statement, as for disposing of residual equity which cannot implement joint control of invested company or make a great influence on it, calculate as equity method and adjust the calculation of residual equity by equity method since receiving.

(5) Convert cost method to fair value measurement

The Company has lost control of the investee due to the disposal of part of the equity investment and other reasons. When preparing the individual financial statement, as for disposed residual equity which cannot implement joint control of invested company or make great influence on it, we shall do accounting as the stipulations of *No. 22 Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and losses since the day when losing control.

5. Disposal of long-term equity investment

As to the Disposal of long-term equity investment, the balance of book value and actually obtained price shall be included in current profits and losses. As for long-term equity investment calculated by the equity method, when disposing of the investment, based on the same way as handling the related assets and liabilities as directly disposed of invested company, conduct the accounting as the corresponding proportion of assets counted into other comprehensive income originally.

When disposing subsidiary's equity, if the terms, conditions and economic impact of the deal fall on following one or several occasions. We can do the accounting by taking several transactions as a package:

(1) These transactions are made at the same time or made by considering the influence on each other;

(2) These transactions can achieve a commercial influence only as a whole.

(3) One transaction resulted from the occurrence of at least another one.

(4) We see that one transaction is not economical, but it is indeed economical when the one going with other transactions is considered.

Due to the Disposal of part of equity investment or other reasons, companies loss the control right of original subsidiaries, or their several transactions do not belong to a package of the transaction; it shall be differentiated as an individual financial statement and combined financial statement for corresponding accounting:

(1) In an individual financial statement, as for equities to be disposed of, the balance of its book value and actual payment of the price shall be included in current profits and losses. As for disposed of residual equity which can implement joint control of invested company or make a great influence on it, we shall calculate it as equity method; consider the residual equity to be adjusted as the equity method since receiving it. As for disposing residual equity which cannot implement joint control of invested company or make great influence on it, we shall do accounting as the stipulations of *No. 22 Accounting Standards for Business Enterprises--- Recognition and Measure of Financial Tools*; count the balance of fair value and book value into the current profits and losses since the day when losing control.

(2) In combined financial statement, as for the formal transactions made before the subsidiaries losses control right, disposed price and long-term equity investment shall correspond to the balance of all shares of net assets which is calculated continuously in the subsidiaries since purchase date or combined date. Adjust the capital reserve (capital stock premium); if the capital reserve is not enough to write down, adjust the retained earnings; when losing the control right of subsidiaries, as for residual equity, calculate again as fair value since the day when losing the control right. The sum of consideration obtained by disposing equity and fair value of residual equity deducts the balance of shares of net assets which is calculated continuously in original subsidiaries since the purchase date as original proportion and get a result. Count the result into the current investment income when losing control right and then write down reputation. Other comprehensive income and other Items relating to an equity investment of original subsidiaries shall be converted into current investment income when losing control right.

Dispose of the equity investment of subsidiaries until all transaction is taken as a package of transactions when losing control right. Take all transactions as a package of transactions. Conduct corresponding accounting on one transaction disposing equity investment of subsidiaries and losing control right at the same time. Conduct corresponding accounting by differentiating individual financial statement and combined financial statement:

(1) In the individual financial statement, before losing the control right, when disposing of the balance of payment of price and book value of corresponding long-term equity investment each time, determine it as other comprehensive income and convert it into current profits and losses when losing control right.

(2) In combined financial statement, before losing the control right, when disposing of the balance of shares of net assets of the company corresponding to investment each time, determine it as other comprehensive income and convert it into current profits and losses when losing control right.

6. Method of impairment test and withdrawal method of provision of impairment

Balance sheet date, in case that book value of long-term equity investment being more than the share of equity book value of invested company's owner or other similar cases happen, conduct asset impairment test on long-term equity investment according to *No. 8 Accounting Standards for Business Enterprises--- Asset Impairment* and then take back the part which is below book value of long-term equity investment and withdraw the provision of impairment. The fair value of single long-term equity investment deducts the net value which is deducted disposing expenses and gets a result. Comparing it with expected future cash flow of long-term equity investment, the higher one will be determined as the recoverable amount of long-term equity investment. When the recoverable amount is lower than book value, write down the book value of the asset to the recoverable amount. The amount written down is determined as the assets impairment loss and counted into current profits and losses. Meanwhile, withdraw its corresponding provision of asset impairment.

Once confirmed, an impairment loss of long-term equity investment cannot be turned back anymore.

note 13 Investment properties

Investment properties are properties to earn rentals or for capital appreciation or both. which includes leased land use right, held land use right which will be transferred after appreciation and leased building.

Investment properties of the company will be taken as entry value according to its cost. The cost of outsourced investment properties is composed of purchasing price, related taxes and other expenses on direct allocation to the asset and the cost to build it on one's own and all necessary expenses on works for reaching its expected workable state.

We adopt cost value mode to do follow-up measurement. According to expected service life and net salvage rate, we do withdrawing, depreciation and amortization for building and land use right. Expected service life, net salvage rate and annual depreciation rate (amortization) are shown as follows:

Category	Expected service life(year)	Net salvage rate	Annual depreciation rate(amortization)
Land use right	40years	5%	2.375
Building	25-40years	3%-5%	2.375-3.88

Since the day when investment properties are changed for private use, it will be changed into fixed asset or intangible asset by our company. Since the day when the real estate is changed to earn rent or capital gain, it will be converted to investment real estate from fixed assets or intangible assets. After the conversion, the previous book value will be taken as the entry value.

At balance sheet date, as for the investment properties tend to depreciate, the company will estimate its recoverable amount. If the amount is lower than book value, we confirm corresponding impairment loss. Once confirmed, it cannot be turned back anymore.

When the investment properties is disposed or never cannot be used and it is expected that no economic income can gain from its disposition, terminate on recognition of the investment properties. After investment real estate is sold, transferred, scrapped or damaged, the gained amount deducts its book value and corresponding taxes, which will be counted into the current profits and losses.

note 14 Fixed assets

1. The conditions of recognition for the fixed assets

Fixed assets indicate tangible assets for the producing commodity, providing labor service, renting or operating management, and operating life is more than a fiscal year. The following condition shall be met simultaneously to confirm as fixed assets:

- (1) The relevant economic benefits are likely to flow into the enterprise.
- (2) The cost of the fixed asset can be measured reliably.

2. The initial measurement of fixed assets

The fixed assets of this company are measured initially at cost. Among it, the outsourcing fixed assets cost includes purchase price and import tax and related tax fee, and other expenditure can be assigned to the assets to bring the assets to the expected condition for use. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred in bringing the asset to the expected conditions for use. The fixed assets invested by investors recognized the value of a recorded value according to invest contract or agreement, but the unfair value in the contract or agreement in accordance with the fair value as recorded value. The price for purchasing a fixed asset is delayed beyond the normal credit conditions, actually has financing nature, the cost of fixed assets shall be confirmed based on present value of the purchase price. The balance between the actual paid money and purchasing price, except capitalized part, should be included current profits and losses.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Except for fixed assets which are fully depreciated and are still being used, the land which is separately accounted and the highway property which is self-constructed and operated ,fixed assets depreciation shall be calculated and provided by straight-line method and depreciation rate shall be determined according to fixed assets' categories, estimated useful life and estimated residual rate. For subsequent expenditure of self-built and operated fixed highway assets (include

highways, bridges, structures and safety facilities), since July 1, 2015, annual depreciation of them shall be calculated on the basis of the ratio of actual annual traffic flow in specific years against estimated total traffic flow in residual toll period.

For fixed assets generated by special reserve expenditure, we should deduct the special reserves on the base of the cost of fixed assets formation and determine the accumulated depreciation of the same amount. This fixed asset should not be calculated and provided for depreciation in the future.

The company determines the estimated useful life and estimated the residual rate of fixed assets according to their natures and usage conditions. And in the end of the year, the company verifies the estimated useful life and estimated residual rate and depreciation methods of fixed assets. If differences exist when compared to original estimates, the adjustments shall be made accordingly by the Company.

Depreciation year limit and depreciation rate of various types of fixed assets

Category	Estimated useful life (year)	Estimated net salvage rate (%)	Annual depreciation rate (%)
House, building	25-40	5.00	2.38-3.80
Machinery and equipment	5-10	5.00	9.50-19.00
Transportation	8	5.00	11.88
Electronic equipment	3-5	5.00	19.00-31.67
Others	5	5.00	19.00

(2) Subsequent expenditure on fixed assets

The subsequent expenditures relevant to fixed assets should be recorded at cost of fixed assets when they comply with the conditions of fixed assets recognition, and should be recorded into the current “Profit or Loss” when they don’t comply with the conditions of fixed assets recognition.

(3) Disposal of fixed assets

When the fixed assets are disposed or are forecasted that their usage or disposal shall not generate economic benefits, the fixed assets should be derecognized. The income of disposal of fixed assets including sale, transfer, scrapping or damage shall be recorded into the current “Profit or Loss” when the book value and relevant tax fee are deducted.

4. Fixed asset impairment test methods, impairment preparation calculation and provision methods

The company determines if the fixed assets signs of possible impairment at the end of each period.

If there is any indication of impairment of fixed assets, the recoverable amount is estimated. The recoverable amount of value should be determined according to the higher value between the net value gotten by the fair value of fixed asset minus disposal cost and the present value of estimated future cash flows of fixed asset.

When the recoverable amount of fixed assets is lower than its book value, we should write down the book value of fixed asset to its recoverable amount, and the amount reduced is recognized as impairment loss of fixed asset, and should be written down into the “Profit or Loss” in this period, and at the same time corresponding preparation of impairment of fixed asset should be calculated and provided.

After the fixed asset impairment losses are confirmed, depreciation of impairment of fixed asset will be adjusted in the future period, so that the fixed asset could apportion systematically adjusted fixed asset book value (Estimated residual value is deducted) within the remainder of its life.

Once the impairment of fixed asset is recognized, it can not be reversed in a subsequent accounting period.

When there are indications of possible impairment of one fixed asset, the company shall estimate the recoverable amount based on a separate fixed asset. When the company feels hard to estimate the recoverable amount of one fixed asset, it shall determine the recoverable amount of the asset group based on the asset group to which the mentioned fixed belongs.

5. The financing leased assets recognition basis, measurement methods and depreciation methods

When the company's leased fixed assets meet one or more of the following criteria, they are recognized as leased assets:

(1) At the expiration of the lease period, the ownership of the leased asset is transferred to the Company.

(2) The company has the right of option to buy the leased asset, and the purchasing price which is expected is far lower than the fair value of the leased asset when the right of option is executed, thus it could be reasonably certain that the company will exercise the right of an option since leasehold starting date.

(3) Even if the ownership of the asset is not transferred, the lease term covers most of the useful life of the leased asset.

(4) The present value of the minimum lease payment of the company since leasehold starting date is almost equal to the fair value of the leased asset at the leasehold starting date.

(5) The leased asset is of a specialized nature, and without making major modifications, only the Company can use it.

For financing leased fixed asset, the lower value between the fair value of leased fix asset at leasehold starting date and the present value of the minimum lease payment shall be seen as the recorded value. Minimum lease payment is seen as recorded value of long-term payables, and its difference shall be seen as unrecognized financing costs. All the initial direct costs including processing fees, lawyer's fees, traveling expenses, stamp duty which are attributable to the leased Items which occurs during the negotiation of leasehold and signing of leasehold contract, shall be recorded as the leased asset. And unrecognized financing costs in each period during the lease term should be divided using the effective interest method.

The Company uses its own policy for depreciation of fixed assets which corresponds to its own fixed asset to calculate and provide the depreciation of financing leased fixed asset. For those which can be reasonably determined that they can get the ownership of the leased asset at the end of the leasehold term, depreciation should be calculated and provided to the life of leased asset. And for those which can't be reasonably determined that they can get the ownership of the leased asset at the end of the leasehold term, depreciation should be calculated and provided within the shorter term between the lease term and the leased asset usage lift term.

note 15 Construction in process

1. Types of constructions in process

The price of self-constructed constructions in process of the Company should be recorded as per the actual costs. The actual costs are composed of the necessary expenses incurred before this construction asset reaches to the predetermined serviceable condition, including materials costs, labor costs for projects, relevant paid expenses of taxation, borrowing costs that should be capitalized and the indirect expenses that should be shared and so on. Constructions in process of the Company should be examined and calculated as per classification of projects.

2. Standard and time point for the constructions in process to be transferred into fixed assets

The whole expenses of constructions in process incurred before this construction asset reach the predetermined serviceable condition should be regarded as the entry value of the fixed asset. For the constructed construction in process that has reached the intended serviceable conditions but have not yet gone through budget needed for the completion of project, they should be

transferred in the fixed assets as per the estimated value and in accordance with the budget and costs of the project or the actual costs of the project etc. since it reaches the intended serviceable conditions; and depreciation of the fixed asset should be counted and drawn as per the Company's depreciation policy related to fixed assets. After the budget needed for the completion of the project, the original temporary estimated value should be adjusted according to actual cost. However, the original amount of depreciation counted and drawn should not be adjusted.

3. Impairment test method and counting and drawing methods of impairment provision of construction in process

The company shall judge whether construction in the process may occur the signs of impairment at the end of every period.

If there is a sign showing that impairments of construction in the process may occur, the Company shall estimate its recoverable amount based on a single construction in process. If the Company is difficult to estimate the recoverable amount of a single construction in the process, the recoverable amount of the asset unit should be determined based on the affiliated asset unit of this construction in process. The recoverable amount should be determined as per the higher one between the value acquired through using the fair value of the construction in the process to subtract the net amount after disposal and the current value of the expected future cash flow of the construction in process.

When the recoverable amount of the construction in the process is lower than the book value of the construction in the process, the write-down of the book value of the construction in the process should be conducted to the recoverable amount. The write-down amount should be recognized as the impairment losses of the construction in process, which should be included in the losses and profits of the current period. And at the same time, the impairment provision of the corresponding construction in process should be counted and drawn. The impairment losses should not be transferred back in the following accounting period provided that the impairment losses of the construction in the process are confirmed.

note 16 Borrowing costs

1. Principle for recognition of capitalized borrowing costs

The borrowing costs occurred to the company that can be directly attributed to the construction or production of assets that conform to the condition of capitalization should be capitalized on the premise of conforming to the condition of capitalization, which should be included in costs of relevant assets. And other borrowing costs should be recognized as expenses as per their amount incurred and included in the losses and profits of the current period.

The assets conforming to the condition of capitalization refer to the fixed assets, investment

real estate and inventory and other assets that only can reach the intended serviceable condition or marketable condition after a quite longstanding construction or production activities.

Capitalization should be started if borrowing costs satisfy following conditions at the same time:

(1) Asset expenses have been incurred. The asset expenses include expenses incurred in the form of paying cash, transferring non-cash assets or assuming interest-bearing debt in order to construct or produce assets conforming the condition of the capitalization;

(2) Borrowing costs has occurred;

(3) Activities related to construction or products that are necessary for making the assets reach the intended serviceable condition or marketable conditions have started.

2. Capitalization period of borrowing costs

The capitalization period refers to the period from the time point of starting capitalization of borrowing costs to the time point of stopping capitalization of borrowing costs. The suspension period of capitalization of borrowing costs is not included.

When constructed or produced assets conforming to the condition of the capitalization reach intended serviceable condition or marketable condition, capitalization of borrowing costs should be stopped.

When a part of Items of constructed or produced assets conforming to the condition of the capitalization are separately completed and can be used individually, capitalization of this part of borrowing costs should be stopped.

For the constructed or produced asset whose all parts are completed separately but it only can be used or sold after overall completion, capitalization of borrowing costs should be stopped when the overall completion of this asset is achieved.

3. Suspension period of capitalization

If the abnormal interrupt of assets conforming to the condition of capitalization occurs continuously for more than 3 months in the process of construction or production, capitalization of borrowing costs should be suspended. If this interrupt is the necessary program for constructed or produced assets conforming to the condition of capitalization to reach the intended serviceable condition or marketable condition, capitalization of borrowing costs should be continued. Borrowing costs incurred during the period of interrupt should be recognized as losses and profits of the current period. And capitalization of borrowing costs should be continued until construction or production activities of assets start again.

4. Computing method of capitalizing amount of borrowing costs

The interest expenses of the specific borrowings (subtract interest income acquired through putting unused borrowing money in the bank or the investment income from temporary investments) and their auxiliary expenses should be capitalized before constructed or produced assets conforming to the condition of the capitalization reach intended serviceable condition or marketable condition.

The interest amount from capitalization of general borrowings should be calculated and determined by using the weighted average of asset expenses of the part that accumulated asset exceeds the specialized borrowing to multiply the capitalization rate of the general borrowings occupied. The capitalization rate should be calculated and determined as per the weighted average interest rate of the general borrowings.

For borrowings that on discount or premium condition, the amount of cut-rate price or the premium that should be amortized during every accounting period should be determined as per the actual interest rate method to adjust the amount of interest of each period.

note 17 Biological assets

1. Biological assets refer to living animals and plants, including consumptive biological assets, productive biological assets, and public welfare biological assets;

2. The biological assets are measured at cost. The depreciation of productive biological assets adopts the straight-line method; Expected useful life, expected net salvage value, and annual depreciation rate of the productive biological assets of the Company are as follows:

Category of assets	Expected useful life (year)	Expected net salvage value (%)	Annual depreciation rate (%)
Cow	5	5	19
Economic forest	15	5	6.33
Honeysuckle	15	3	6.47

Determine the basis: The Company shall, in accordance with the nature of a productive biological asset, the information about the utilization, and the form of realization of the relevant expected economic benefits, reasonably ascertain the useful life and expected net salvage value. The company shall, at the end of each year, have a check on the useful life, expected net salvage value, and depreciation method of the productive biological assets. If the values differ from expected values, relevant adjustments shall be conducted.

3. Harvesting or selling consumable biological assets or productive biological assets when harvesting agricultural products, the use of weighted average method carry forward costs.

4. At the balance sheet date, the subsequent measurement of biological assets in a cost model, when there is conclusive evidence that due to natural disasters, pests and diseases, animal disease invasion or changes in market demand and other reasons, so that the consumption of biological

assets can be net realizable or productive biological assets of the recoverable amount is less than its book value, the consumable biological assets are subject to the provision for impairment in accordance with the method described in the Note 3 of the financial statements. The difference between the book value and recoverable amount shall be made for the provision for impairment of the production of biological assets.

5. Public welfare biological assets are neither amortized nor provision for impairment.

note 18 Intangible asset

Intangible assets are identifiable non-monetary assets that are owned or controlled by the Company without physical form.

1. Initial measurement of the intangible asset

Costs of intangible assets purchased outside consist of the acquisition price, related expenses of taxation, and other costs incurred directly because of making this asset reach to intended purposes. If the deferred payment incurred when the cost of the purchased intangible asset exceeds the average creditor terms has a financial nature, in essence, the cost of the intangible asset should be determined based on the current value of the purchased price.

For the intangible asset of the debtor used for offsetting debt which is acquired through debt restructuring, the entry value of the intangible asset should be determined based on the fair value of this intangible asset. And the balance between the book value of the restructured debt and the fair value of this intangible asset for offsetting debt should be included in losses and profits of the current period.

On the premise that the non-monetary assets exchange has the commercial essence and the fair value of the swap-in asset or swap-out asset can be calculated reliably, the entry value of the swap-in intangible asset during the period of the non-monetary assets exchange should be determined based on the fair value of the swap-out asset during the duration of the non-monetary assets exchange except that there is an unambiguous evidence showing that the fair value of the swap-in asset is more reliable; For the non-monetary assets transfer that does not satisfy above premise, the book value of the swap-out asset and the relevant expenses of taxation that should be paid should be recognized as the cost of the swap-in intangible asset, and losses and profits should not be confirmed.

For the intangible asset acquired in the way of consolidation by the merger of the enterprise under the standard control, its entry value should be determined as per the book value of the combined party. For the intangible asset acquired in the way of consolidation by the merger of the enterprise under the non-common control, its entry value should be determined as per the fair value.

For the self-developed intangible asset of interior, its costs include: the consumed materials, labor costs, registration charges for developing this intangible asset, amortization of other patent rights and rights of special permission used in the development process and the interest expenses satisfying the condition of capitalization in the development process and other direct expenses incurred before making this intangible asset reach for the intended purposes.

2. Follow-up measurement of intangible assets

The Company should analyze and judge the service life of the intangible assets when acquiring the intangible asset. The intangible assets should be divided into the intangible assets with limited service life and the intangible assets with the uncertain service life.

(1) Intangible assets with limited service life

For the intangible assets with limited service life, they should be amortized with straight-line method within the period of bringing the economic benefits to the enterprise. Intangible assets with limited service life include:

Category of assets	Useful life	Amortization method	Remark
Software	5	Straight-line method	
Patent	Benefit period	Straight-line method	
Land use right	Recorded term on certificate of land use right, Not recorded for 40 years amortization	Straight-line method	
Highway management rights	25-30	Amortized by traffic flow method	

At the end of every period, the service life and the method of amortization of intangible assets with limited service life should be reviewed. If there are differences between the value of review and the original estimated value, the corresponding adjustment should be made.

(2) Intangible assets with uncertain service life

For intangible assets that bring economic benefits to the enterprise for unforeseen periods, they will be recognized as the intangible assets with uncertain service life. For the intangible assets with uncertain service life, the amortization should not be conducted within the holding period, and review should be conducted for the service life of them at the end of every period. If the intangible assets with uncertain service life still have the uncertain service life after the review at the end of the period, the impairment test should be continued during every accounting period.

3. Counting and drawing of the impairment provision of the intangible asset

For the intangible asset with the certain service life, if there is a sign of obvious impairment, the impairment test should be conducted at the end of the period.

For the intangible asset with the uncertain service life, the impairment test should be conducted at the end of the every period.

For the intangible asset, the impairment test should be conducted and its recoverable amount should be estimated. The recoverable amount should be determined as per the higher one between the net amount acquired through using the fair value of the intangible asset to subtract disposal expenses and the current value of the expected future cash flow of the intangible asset.

When the recoverable amount of the intangible asset is lower than the carrying value of the intangible asset, the write-down of the book value of the intangible asset should be conducted to the recoverable amount. The depreciation amount should be recognized as the impairment losses of the intangible asset, which should be included in the losses and profits of the current period. And at the same time, the impairment provision of the corresponding intangible assets should be counted and drawn.

After confirming the impairment losses of the intangible asset, depreciation or amortized expenses of the impaired intangible asset should be adjusted correspondingly during the period of the future to make this intangible asset systematically share the book value (subtracting the estimated net salvage) of the intangible asset after adjustment within the remaining service life.

The impairment losses should not be transferred back to the following accounting period provided that the impairment losses of the intangible assets are confirmed.

If there is a sign showing that impairments of an intangible asset may occur, the Company shall estimate its recoverable amount based on a single intangible asset. If the Company is unable to estimate the recoverable amount of an individual asset, the recoverable amount of an intangible asset group shall be determined based on asset group for which the intangible asset belongs to.

4. Specific standards for dividing the research stage and development stage of the internal research & development projects of the Company

Research stage: the stage of first and planned survey and research activities conducted to obtain and understand new scientific or technical knowledge and so on.

Development Stage: The stage of activities that make the research results or other knowledge used in a plan or design to create new materials, equipment and products, etc. or produce materials, equipment and products with the substantial improvement in commercial production or use.

Expenses of the research stage of the internal research & development projects should be included in losses and profits of the current period when they occur.

5. Specific standards for the expenses of the development stage conforming to capitalization

If the expenses of the internal research & development projects at the development stage satisfy following conditions at the same time, they will be recognized as the intangible assets:

- (1) The completion of the intangible asset for use or sale is technically feasible.
- (2) Has the intention of making this intangible asset completed and used or sold;
- (3) The ways that the intangible asset produces the economic benefits include the methods that can prove that products manufactured by using this intangible asset exist markets or the intangible asset itself has markets and can demonstrate the usefulness of the intangible asset when it is employed in the interior;
- (4) Has enough support in aspects of technology, financial resources and other resources to finish development of this intangible asset and can to use or sell this intangible asset;
- (5) Expenses attributable to the development stage of this intangible asset can be calculated reliably.

Expenditure at the development stage that does not satisfy above conditions should be included in losses and profits of the current period when they occur. Development expenses that have been included in losses and profits during the previous periods should not be recognized as assets again during the following periods. Expenses at the development stage that has been capitalized should be listed in the development expenses on the balance sheet, and they should be transferred into the intangible assets since the day when this project reaches the intended purposes.

note 19 Long-term unamortized expenses

Long-term unamortized expenses refer to the expenses that are occurred but shall be borne in this period and later with the prepaid period of over a year. The long-term unamortized expenses shall be amortized with the straight-line method during the benefit period.

note 20 Employee benefits

Employee benefits refer to the various forms of remuneration or compensation for the service provided by the employees or for termination of employment relationship otherwise than share based payment. Employee benefits include short-term payroll, post-employment benefits, termination benefits and other long-term employee benefits. Benefit provided to the spouse, children, dependents, dependents of deceased employee and other beneficiaries are also included in employee benefits.

1. Short-term salaries

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset, otherwise than those recognized as cost of capital required or permitted by other accounting standards.

Employee benefits payable on profit sharing plan are recognized when the following conditions are met:

- (1) There's current contractual or deemed obligation of the Company due to past events; and

(2) The amount of obligations arising from the profit sharing plan can be reliably measured. If the obligation arising from profit sharing plan is not required to be settled in full within 12 months from the end of the reporting period, relevant regulations on other long-term employee benefits shall apply. Bonus accrued based on performance or employee's contributions are part of the bonus plans and shall be treated as short-term profit sharing.

2. Post-employment benefits

(1) Defined contribution plan

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled in full within twelve months from the end of the annual reporting period in which the employees render their related service, the employee benefits payable shall be measured at the discounted value of all contributions using a defined discount rate.

(2) Defined benefit plan

The Company shall attribute benefit obligations under a defined benefit plan to periods of service provided by employees according to the formula determined by projected unit credit method, with a corresponding charge to the profit and loss for the current period or the cost of a relevant asset. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit plan than in earlier years, the Company shall attribute accumulated defined benefit plan obligation with straight line method to the period from the date when service provided by the employee first leads to Company's benefit obligation under the defined benefit plan to the date when future service provided by the employee will not lead to material increase in defined benefit plan obligation. In determining the period to which the benefit obligation shall attribute, the Company shall not consider the situation in which the material increase in defined benefit plan obligation only as a result of future salary increases.

At the end of reporting period, the Company shall recognize the following components of employee benefit cost arising from defined benefit plan:

① Service costs, comprising current service costs, past service costs and any gains and losses on settlement.

② Net interest on the net defined benefit plan assets or liabilities, including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.

③ Changes as a result of re-measurements of the defined benefit assets/liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item ① and ② above should be recognized in profit or loss for the current period; item ③ should be recognized in comprehensive income.

3. Termination benefits

Termination benefits primarily include:

(1) Compensation provided to employees due to the termination of employment relationship before due date of employment contract, whether employees agree with the termination or not.

(2) Compensation provided to employees to encourage them to accept employee curtailment before the due date of employment contract, in which the employees have a choice of either to stay in service or leave.

When termination benefits are provided, the Company recognizes employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

① The date when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or

② The date when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly within 12 months after the end of the reporting period in which the termination benefit is recognized, the Company shall apply the relevant regulations of short-term employee benefits; if the termination benefits are not expected to be settled wholly within 12 months after the end of the reporting period in which the termination benefit is recognized, the Company shall apply the relevant regulations of long-term employee benefits.

4. Other long-term employee benefits

For other long-term benefits provided to employees that meet the terms of defined contribution plans shall be treated as defined contribution plans. Other long-term benefits otherwise than above shall be recognized and measured to net liabilities or net assets according to relevant requirements of defined benefit plans.

note 21 Share-based payments

1. Types of Share-based payments

The shares of the company are divided into equity-settled share-based payment and cash-settled share-based payments.

2. Method for determining the fair value of equity instruments

For granted option existed in the active market, fair value is determined according to the price in the active market. For granted option doesn't exist in the active market, fair value is calculated according to the option pricing model. The option pricing model we choose should consider the following factors: (1) Option exercise price; (2) Validity of option; (3) The current price of the underlying shares tagged; (4) Expected volatility of stock price; (5) the expected dividend of the shares; (6) rate of no interest risk within the options validity period.

While affirming the fair value of the equity instruments grant date, we should consider the influence of the market conditions in the vesting conditions and non-vesting conditions in the provisions of the share payment agreement. The share payments with non-vesting conditions, as long as the staff or other place fit the non-market conditions (such as service duration, etc.) in the vesting conditions

3. basis of the best estimate of the vested equity instruments

Each balance sheet date during the waiting period, management makes the best estimate according to the changes in the number of employees and available right and other follow-up information, and correct the expected number of equity instrument of the available right. On the exercise day, the final expected exercised number of investment instrument should be equal to the actual exercised number of the equity instrument

4. Implementation, modification and termination of the relevant accounting treatment about share payment plan

The Equity-settled share payment should be calculated according to the fair value of the equity instruments granted to the employees. Those payments executed immediately after granted should be recorded in the related costs or expenses according to the fair value of the equity instruments and adding the capital reserve correspondingly. Feasible right can get only after the services complete or reach the specified performance conditions, on each balance sheet date during the waiting period, take the best estimate of the expected number of equity instrument as the basis, according to the fair value of the equity instruments grant date, record the service acquired in the current period into the relevant costs or expenses and the capital reserves. After the feasible right day shall no longer adjust the total of the affirmed relevant cost or expense and owner's equity

The cash-settled share payment should be calculated according to the fair value of the liabilities that based on shares or other equity instruments which the company bares. Those payments executed immediately after granted, the fair value of the liability of the company at the date of the grant should be involved in the relevant costs or expenses correspondingly increase the

liabilities. Feasible right of the cash-settled share payment can get only after the services complete or reach the specified performance conditions, on each balance sheet date during the waiting period, take the best estimate of the expected number of equity instrument as the basis, according to the fair value of the equity instruments grant date, record the service acquired in the current period into the relevant costs or expenses and the capital reserves. In each balance sheet date and the date of settlement before the settlement of the related liabilities, re-measure the fair value of liabilities, the changes recorded in the current profits and losses.

5. As for the existing conditions of the modification of the terms and conditions, the current modification situation and related accounting treatment

If we canceled the granted equity instrument during the waiting period, our company will treat the granted equity instruments that canceled as accelerated execute right, take the amount of the remaining waiting period recorded as the profit and loss of the current period, and affirm the capital reserve at the same time. Staff and other parties can choose those who meet no vesting conditions but did not in the waiting period; our company will deal with it as the cancel of the granted equity instrument.

note 22 Bonds payable

1. General corporate bonds

It shall be calculated based on the fair value and changed amount for bonds payable included in current profits and losses shall be regarded as initially confirmed amount; related transition cost shall be directly accrued into current profits and losses and following measurement subjects to the fair value.

For other bonds payable, the sum of fair value and associated transaction expenses shall be regard as initially confirmed amount and amortized cost shall be used for subsequent measurement. Premium or discounts correspond to interest expense adjustment in bonds period of existence. And in such period, effective interest method shall be used for amortization.

2. Convertible corporate bonds

Partition of liability elements and interests shall be made on convertible corporate bonds issued by this company at initial recognition stage, that is debt shall be regarded as bonds payable and interests shall be regarded as capital reserves. In partition process, future cash flow for debts shall be accrued to initial recognition amount and amount which deducts initial debts recognition amounts from issue price shall be accrued to initial interest recognition amount. Transaction expenses generated by convertible corporate bonds shall be divided according to respective fair values between debts and interests.

note 23 Estimated Liabilities

1. Recognition Criteria of Estimated Liabilities

If obligations are related to accounting matters and satisfy the following conditions, the company recognize as estimated liabilities: ①The obligation is a current one; ②Performing of the obligation probably results in the outflow of economic benefits from the company; ③The amount of the obligation can be measured reliably.

2. Measuring Methods of Estimated Liabilities

Upon initial measurement, the company's estimated liabilities should be measured by the best estimate of the expenditure which is required to fulfill the obligation.

When it comes to the determination of the best estimate, the company considers relative risks, uncertainties, time value of money and so on. As to those that have a significant influence on the time value of money, the best estimate is determined by the discounted future cash outflow.

The best estimate is dealt with as follows:

If the necessary expenditure is in a continuous range (or an interval), and the possibilities of all results are the same with the range, the best estimate will be determined by the median of the range, i.e. the average of the highest and the lowest limits.

When the required expenditure is not in a continuous range (or a interval), or it is in a continuous range in which the possibilities of all results are not the same, if the matter is related to single Items, the best estimate is determined by the expenditure with the greatest possibility; if the matter is related to multiple Items, the estimate is determined by all the results and their probability.

When the company pays off estimated liabilities, and all or part of the estimated liabilities are expected to compensate by a third party, the compensation amount is recognized separately as assets under the condition that it is roughly available; the recognized compensation amount should not exceed the book value of estimated liabilities.

note 24 Income

1. criteria on timing of recognition of revenue from sales

The company has transferred the significant risks and rewards of products ownership to the buyer; the company doesn't conserve the right of continue management related to the ownership, and it also doesn't have an effective control over the goods sold; the amount of income can be measured reliably; relevant economic benefits probably flow to the enterprise; products marketing income should be recognized when the relative costs that have incurred or is going to incur can be measured reliably.

The contract or agreement price should be received in the deferred way, which in nature is a financing method; products sales revenue should be determined by the price of contracts or agreements receivable measured at fair value.

2. Basis for recognition of revenue from demising the right to use assets

Economic benefits related to transactions likely flow into the enterprise. When some revenues can be measured in a reliable way, the amount of revenue from demising the right to use assets shall be ascertained based on following circumstances, respectively:

- (1) The amount of interest revenue should be measured and confirmed by the length of time for which the enterprise's cash is used by others and the actual interest rate;
- (2) The amount of royalty revenue should be measured and confirmed by the period and method of charging as stipulated in relevant contract or agreement.

3. Basis and Methods for Recognizing Income from Providing Labors

On the date of the balance sheet when the result of labor-providing can be measured reliably, its income should be recognized under the percentage-of-completion method. Completion status should be provided which is based on the amount of work finished.

That the result of labor-providing can be measured reliably should satisfy the following conditions:

- (1) The amount of income can be measured reliably.
- (2) Relevant economic benefits are likely to flow into the enterprise.
- (3) The completion status of the transaction can be determined reliably.
- (4) The costs incurred and to be incurred during the transaction can be measured reliably.

The total amount of labor-providing income is measured by the price agreed in the received or receivable contracts or agreements, except those without being measured at fair value. The current labor income is the difference between the amount of labor income multiplied by percentage-of-completion on the date of Balance Sheet and the recognized labor income accumulated during previous accounting periods; at the same time, the current labor cost is the difference between the total estimated labor costs multiplied by percentage-of-completion and the recognized labor costs accumulated during previous accounting periods.

On the date of Balance Sheet when the result of labor-providing cannot be estimated reliably, it should be handled as follows:

- (1) As to the labor costs incurred that are expected to get compensated, the income should be measured by labor costs incurred and labor costs should be over carried by the same amount.
- (2) As to the labor costs incurred that are expected not to get compensated, labor costs incurred should be credited to the current profit and loss without labor income recognized.

As for the contracts or agreements signed by the company and others that include products sales and labor providing, products sales and labor providing should be distinguished and measured separately, which means the section of products sales is regarded as selling products and

the section of labor providing as providing labors. If products sales and labor providing cannot be distinguished, or they can be distinguished but cannot be measured separately, both of them should be regarded as parts of the total sales of products.

4. Transfer of assets with buyback conditions

When the enterprise sells products or transfers other assets, it signs buyback agreements with buyers; so whether products sold can be regarded as income should be determined by the agreements. If the buyback is one kind of financing trading, it shouldn't be recognized as income during the delivery of products or assets; if the buyback price is more than that of selling, their difference's interests during the buyback should be credited to financial expenses.

note 25 Construction Contracts

1. If the result of construction contracts can be estimated reliably, revenue and cost associated with contracts should be recognized with percentage-of-completion method. The percentage-of-completion method means measuring revenue and cost by the completion status of contracts. Completion status is the percentage of the accumulated costs incurred and the total estimated costs in the contracts.

That the result of price-fixed contracts can be estimated reliably should satisfy the following:

- (1) Contracts' total revenue can be measured reliably.
- (2) Economic benefits related to contracts are likely to flow into the enterprise.
- (3) Contracts costs incurred can be distinguished clearly and measured reliably.

(4) Completion status of contracts and costs needed to finish the contracts can be measured reliably.

That the result of straight cost plus contracts can be estimated reliably should satisfy the following conditions:

- (1) Economic benefits related to contracts are likely to flow into the enterprise.
- (2) Contracts costs incurred can be distinguished clearly and measured reliably.

The difference between the total contract revenue multiplied by percentage-of-completion on the date of Balance Sheet and the recognized revenue accumulated during previous accounting periods is the current contract's revenue; at the same time, the difference between the estimated contract cost multiplied by percentage-of-completion and the recognized cost accumulated during previous accounting periods is the current contract cost. Changes of contract projects, claims and bonuses should be credited to the total contract revenue as the potential revenue that can be reliably measured.

2. That the result of straight cost plus contracts cannot be estimated reliably should satisfy the following conditions:

(1) If contract cost can be recovered and contract revenue recognized based on the cost that can be recovered, the contract cost in the period in which it is incurred is regarded as the contract expense.

(2) If contract cost cannot be recovered, it should be credited to the contract payment the moment it incurs and cannot be recognized as contract revenue.

3. If the total contract cost is likely to exceed the total contract revenue, the expected loss should be recognized as expense immediately.

note 26 Government Grant

1. Types

Government Grant is monetary and non-monetary assets received by the company from the government, but they don't include the capital invested by the government as owner of the enterprise. Based on assistance objects stipulated in public document, government grant are divided into assets-related and income-related.

Assets-related government grant are those acquired by the enterprise for purchasing long-term assets or building long-term assets in other ways. Except for assets-related government grant, the rest are income-related government grant.

2. Therecognition of government grant

If there is evidence showing the enterprise meet fiscal support policies and is expected to receive the fiscal support funds at the end of accounting period, government grant shall be recognized as amount receivable. Otherwise, government grant shall be confirmed when received.

If government grant are monetary assets, they shall be measured by the amount received or receivable. If government grant are non-monetary assets, they shall be measured as fair value; in case the fair value cannot achieve reliably, they shall be measured by the nominal amount (1yuan). Those that are measured by nominal amount shall be credited to current profit and loss.

3. Accounting Treatment

(1)The company uses the total method.

(2)The government grant related to assets is recognized as deferred Income, and are confirmed as The non-operating income according to the useful life of the assets built or purchased. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the undistributed related deferred income shall be transferred to the profit or loss of the asset disposal in the current period.

For government grant that include both the asset-related portion and the income-related portion, the accounting for different parts is separately performed; if it is difficult to distinguish, it is classified as a government subsidy related to income.

(3) The government grant related to daily activities shall be included in other income in

accordance with the essence of economic business. Other government grant that is unrelated to the daily activities of the company shall be included in non-operating income and expenses.

(4) The Company disburses the policy-based discounted interest discounted loans in two cases in accordance with the government's disbursement of the interest-bearing funds to the lending banks and the finance directly disburses the interest-bearing funds to the company.

1) The government's disbursement of the interest-bearing funds to the lending banks. If the lending bank provides loans to the company at a policy-based preferential interest rate, the company will use the borrowing amount actually received as the entry value of the loan and calculate related borrowing costs according to the loan principal and the policy.

2) The finance directly disburses the interest-bearing funds to the company. The company shall offset the relevant borrowing costs by the corresponding discount interest.

(5) When a confirmed government grant needs to be returned, if there is a related deferred income balance, the deferred income is offset against the carrying amount of the deferred income, and the excess is credited to the current profit or loss. If there is no related deferred income, it is directly charged to the current profit or loss.

note 27 Deferred tax assets and Deferred tax liabilities

1. Basis for recognizing deferred tax assets

Within the limit of taxable income that is used to deduct deductible temporary difference, the enterprise recognizes deferred tax assets coming from the deductible temporary difference.

2. Basis for recognizing deferred tax liabilities

The enterprise recognizes the deductible temporary difference of current taxable income or the balance of tax payable during the previous periods as deferred tax liabilities. But deferred tax liabilities don't include goodwill and transactions formed not by business combination whose occurrence neither influences accounting profit nor the temporary difference caused by taxable income

3. The deferred tax assets and the deferred tax liabilities are expressed in net amount when the following conditions are met:

(1) The enterprise has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis;

(2) Deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection and administration department on the same taxpayer or to different taxable entities, but in the future each of the Deferred tax assets and deferred During the period in which the income tax liabilities are reversed, the taxpayers' body intention is to settle the current income tax assets and current income tax liabilities at the same time or collect assets at the same time.

In general, in the individual financial statements, the current income tax assets and liabilities and Deferred tax assets and deferred tax liabilities are presented as net after offsetting. In the consolidated financial statements, the current income tax assets or Deferred tax assets of one party

are generally not offset against the current income tax liabilities or deferred tax liabilities of the other party, unless the enterprise involved has a net The legal rights of settlement and are intended to be settled on a net basis.

note 28 Lease

If the terms in nature transfer all the risks and rewards related to the ownership of leasing assets to the lease, the lease is a financial lease; other leases are operating ones.

1. Accounting Treatment of Operation Lease

(1) Lease rentals that the company paid for the leased assets should be allocated with the straight-line method and credited to current expense during the whole rental period including the rent holiday. The initial direct costs related to the leasing transaction that the company paid should be credited to current expense.

If the assets' leaser undertakes the cost that is supposed to be borne by the company, the company should deduct the cost from the total rent, allocate the deducted rent and acquire it to the current value.

(2) Lease rentals that the company charged for the leased assets should be allocated with the straight-line method and credited to rent income during the whole leasing period including the rent holiday. The initial direct costs related to the leasing transaction that the company paid should be credited to current expense. If the sum of initial direct costs is significant, it should be capitalized and credited to current profit based on the same time-period as rent income during the whole leasing period.

If the company undertakes the cost that is supposed to be borne by the assets' leaser, the company should deduct the cost from the total rental income and allocate the deducted rent during the leasing period.

2. Accounting Treatment of Financial Leasing

(1) Assets acquired under finance lease: from the commencement of the lease, the measurement value of leased assets should be the smaller one between the leased assets' fair value and the present value of the lowest payment of rent; the minimum lease payments is acquired as the measurement value of long-term payables and their difference should be recognized as unconfirmed financing costs.

The company amortize unconfirmed financing costs with effective interest method during the lease period and credit it to finance expense.

(2) Assets rented out under finance lease: from the commencement of the lease; the company recognizes the difference between the sum of finance lease receivables and unguaranteed residual values and its present value as unrealized financing income and as lease income in each period when rent is received. The initial direct costs related to the leasing transaction incurred should be

credited to the initial measurement of finance lease receivables and the amount of recognized income during the lease period should be reduced.

note 29 Assets Held for Sale

The Company classifies corporate components (or non-current assets) that meet both of the following conditions as held for sale: (1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) The sale is highly probable, a resolution has been made on a sales plan and a definite purchase commitment has been obtained (a definite purchase commitment is a legally binding purchase agreement between the company and the other party, which includes the transaction price, Time and severe penalties for breach of contract, such as important punishments, make it impossible for the agreement to undergo major adjustment or revocation.) The sale is expected to be completed within one year. Approvals from relevant authorities or regulatory authorities have been obtained in accordance with relevant regulations.

The Company adjusts the estimated net residual value of the assets held for sale to the net amount of its fair value less selling expenses (but it must not exceed the original book value of the assets held for sale). Any difference between the original book value and the estimated net residual value is included in the current profit and loss as an impairment loss of assets, and provision for impairment of assets held for sale is made. For the amount of impairment loss of assets confirmed by the disposal group held for sale, the book value of goodwill in the disposal group should be offset first, and then proportionately deducts the book value of the various non-current assets that are measured according to the application of this standard in the disposal group.

If the net amount of fair value less selling expenses of the non-current assets held for sale is increased on the balance sheet date, the amount previously written down shall be recovered within the amount of the impairment of assets recognized after being classified as held for sale and be included in the current profit or loss. Impairment losses on assets recognized prior to classification as held for sale shall not be reversed. If the net amount of fair value less selling expenses of the disposal group held for sale is increased on the subsequent balance sheet day, the amount previously written down shall be recovered within the amount of the impairment of assets recognized after being classified as held for sale which is applicable to the measurement requirements of this standard, and the reversed amount is included in the current profit or loss. The carrying amount of the goodwill that has been offset and the impairment recognized before being classified as non-current assets held for sale which are applicable to the measurement of this standard shall not be reversed. The subsequent reversal of the asset impairment loss recognized by the disposal group held for sale shall be based on the proportion of the book value of various non-current assets measured in the disposal group in addition to the goodwill measured by the standard, and shall increase its book value proportionately.

If the company loses control of a subsidiary due to the sale of its investment in the subsidiary, whether or not the enterprise retains part of the equity investment after the sale, the subsidiary shall be classified as held for sale in the individual financial statements of the parent company when the proposed sale of the subsidiary meets the conditions for classifying the company for sale. In the consolidated financial statements, all the assets and liabilities of the subsidiaries will be classified as held for sale.

note 30 Measurement of Fair Value

1. Financial Instruments that are not measured at Fair Value

Financial assets and liabilities that are not measured at fair value include bill and account receivable, short-term loans, bill and account payable, noncurrent assets due within one year and long-term loans, equity instrument investment without quoted price in an active market whose fair value cannot be measured reliably.

The difference between the book value and fair value of the above financial assets and liabilities that are not measured at fair value is quite small; or according to the stipulation of < Recognition and measurement of financial instruments >, equity instruments that have no quoted price in active market whose fair value cannot be measured reliably should be measured by the cost.

2. Financial Instruments Measured at Fair Value

In the transaction of acquiring assets or assuming liabilities, the fair value is the price at which the assets are sold, or the liabilities are transferred (i.e. the exit value). The valuation techniques used by the company to measure the related assets or liabilities at fair value include Market approach, gains methods and costing method.

Fair value can be entirely classified into three levels, based on the lowest level of the three levels to which the important inputs used to measure fair value belong. The definitions of three levels are as follows:

Level 1: The price without adjustment of identical assets available on the date of measurement or liabilities in the active market.

Level 2: Inputs not included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include: 1) the price of similar assets or liabilities in active market; 2) the price of identical or similar assets or liabilities in inactive market; 3) other observable inputs except price, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval. 4) Inputs of market verification.

Level 3: They are Unobservable inputs of related assets or liabilities.

V. Introduction of changes in accounting policies and estimates and correction of significant previous errors

(I) Changes in accounting policies

1、The Company adopted the relevant provisions of the “Enterprise Accounting Standards for Enterprises No. 16 - Government Subsidies” (Accounting and Finance [2017] No. 15) on January 1, 2017, in accordance with the “State-owned Assets Supervision and Administration Commission of the State Council,” regarding the completion of the 2017 financial statements of central enterprises. Notice on Management and Reporting Work (State Assets Administration and Finance [2017] No. 201) requires retrospective adjustment of the comparative data of the previous period. Impacts to financial statements of adoption of this regulation are summarized below:

Applicable changes stipulated in the Regulation	Financial Statement Items affected and amount involved
The government grants related to daily activities are included in the “other income” account	Adding other income RMB 632,985,065.66 and adding operating profit RMB 632,985,065.66

2、The company has adopted the relevant provisions of “Enterprise Accounting Standards No. 42 - Non-current Assets held for Sale, Disposal Groups and Discontinued Operations” (Accounting and Finance [2017] No. 13) on May 28, 2017. Impacts to financial statements of adoption of this regulation are summarized below:

Applicable changes stipulated in the Regulation	Financial Statement Items affected and amount involved
Distinguishing and reporting Income of continuing operating and Income of Discontinued operating	Adding Income of continuing operating RMB 4,855,031,896.19, adding Income of Discontinued operating RMB 0 in the current period; Adding Income of continuing operating RMB 3,380,449,180.77, adding Income of Discontinued operating RMB 0 in the last period.
New assets held for sale and liabilities held for sale	Adding assets held for sale (or liabilities) RMB 0, Adding current asset RMB 0 in the current period. Adding assets held for sale (or liabilities) RMB 0, Adding current asset RMB 0 in the last period.
Adjusting the impairment of assets held for sale	Adding assets held for sale RMB 0, Adding asset impairment loss RMB 0 in the current period. Adding assets held for sale RMB 0, Adding asset impairment loss RMB 0 in the last period.

3、The Company adopted the “Notice on Revising the Format of Issuance and Issuance of General Enterprises' Financial Statements” (Finance and Accounting [2017] No. 30) of the Ministry of Finance on January 1, 2017. Impacts to financial statements of adoption of this regulation are summarized below:

Applicable changes stipulated in the Regulation	Financial Statement Items affected and amount involved
The profit statement adds the “assets disposal income” line Items and retroactively adjusts it.	Decreasing Non-operating income RMB 18,574,404.40, decreasing Non-operating expenses RMB 39,607,460.29, adding Income from of non-current assets RMB -21,033,055.89 in the current period; Decreasing Non-operating income RMB 18,574,404.40, decreasing Non-operating expenses RMB 39,607,460.29, adding Income from of non-current assets RMB -21,033,055.89 in the current period;

(II) Changes in accounting estimates

The Company has no significant accounting estimates for the current year.

(III) Correction of significant previous errors

The Company has no significant previous errors for the current year.

VI. Taxes

(I) The main taxes payable of the company and its subsidiaries are listed as below::

Items	Tax (fee) basis	Tax (fee) rate	Remarks
VAT	Taxable value added	17%、13%、6%、3% and so on	
Construction tax	Turnover tax payable	7%	
Education surcharge	Turnover tax payable	2%	
Local education surcharge	Turnover tax payable	1%	
Consumption tax	Turnover tax payable	Fixed levies based on amounts	
Water Conservancy Construction Fund	Turnover tax payable	1%	
Enterprise income tax	Taxable income	25%、12.5%	high-tech enterprises 12.5%

(II) tax concessions and approvals

1. Shandong high - speed Hainan Development Co., Ltd

According to the "Yangpu Economic Development Zone Enterprise Support preferential policies Interim Provisions", the company as a productive enterprise to enjoy the following tax incentives: (a) Value-added tax and its urban construction tax and education surcharge: Within 5 years from the date of production, the company, which is the productive enterprises from development zones, will enjoy funds support equivalent to 6.5% of the paid VAT and 40% of the paid urban construction tax and education surcharge(excluding local education surcharge) (2) Enterprise income tax: From the date of payment of the enterprise income tax, The Company will enjoy funds support equivalent to 13% of the paid income tax for the first 5 years and 6.5% of the

paid income tax for the subsequent 5 years

2. Shandong High-Speed Bioengineering Co., Ltd

The company's products, the original milk and vegetables belong to the state's duty-free primary agricultural commodities, exempt from value-added tax and enterprise income tax.

3. Shandong high-speed Yingli New Energy Co., Ltd.

The company is a photovoltaic environmental protection industry, enterprise income tax to enjoy the "three exemptions and three halves" tax concessions, according to "People's Republic of China Enterprise Income Tax Law" Article 27 of the second paragraph; "Ministry of Finance State Administration of Taxation on public infrastructure projects to enjoy (Supplementary Notice on the Supplementary Policy on Enterprise Income Tax) (Cai Shui [2014] No. 55) and other documents, the enterprise income tax of the company will be exempt wholly for the first three years and half for the following three years.

4. Shandong high-speed Taishan development Co., Ltd

According to the provisions of Caishui [2017] No.43, the company enjoys a 50% reduction in income taxable income, and a 20% tax rate to pay corporate income tax.

5. Shandong high-speed Track Equipment Materials Co., Ltd.

The company was recognized as a high-tech enterprise by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, the State Taxation Bureau of Shandong Province, and the Local Taxation Bureau of Shandong Province, and was awarded the "High-tech Enterprise Certificate" (certificate number is GR201737000672), valid for December 2017. 28th - December 27th, 2020.

6. Shandong high-speed information engineering Co., Ltd

The company was recognized as a high-tech enterprise by the Department of Science and Technology of Shandong Province, the Shandong Provincial Department of Finance, the State Taxation Bureau of Shandong Province, and the Local Taxation Bureau of Shandong Province, and awarded the "High-tech Enterprise Certificate" (certificate number is GR201537000620). Validity period is December 2015 10th to December 09th, 2018.

VII. Business combinations and consolidated financial statements

(I) subsidiaries

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
1	Shandong high - speed Taitung Highway Co., Ltd	2	1	Tai'an City	Tai'an City	Road operation and management	5,353.96	84.96%	84.96%	2,730.52	1
2	Shandong high - speed Jili Intercity Highway Co., Ltd	2	1	Jinan City	Jinan City	Road operation and management	1,000.00	51.00%	51.00%	510.00	1
3	Shandong high - speed Jitai Intercity Highway Co., Ltd	2	1	Jinan City	Jinan City	Road operation and management	1,000.00	100.00%	100.00%	-	1
4	Shandong high - speed Logistics Group Co., Ltd	2	1	Qingdao City	Qingdao City	Commodity trade	200,000.00	100.00%	100.00%	200,000.00	1
5	Shandong high-speed Logistics Property Co., Ltd.	3	1	Qingdao City	Qingdao City	Real estate development	4,000.00	100.00%	100.00%	4,000.00	1
6	Shandong high - speed Standard Box Logistics Co., Ltd.	3	1	Jinan City	Jinan City	shipment service	20,000.00	100.00%	100.00%	20,000.00	1
7	Shandong high - speed Logistics International Trade Co., Ltd.	3	1	Qingdao City	Qingdao City	Commodity circulation	20,000.00	100.00%	100.00%	20,000.00	1
8	Shandong high - speed Traffic Logistics Investment Co., Ltd.	3	1	Weifang City	Weifang City	Other warehousing industry	119,485.58	94.00%	94.00%	70,206.05	1
9	Shandong high - speed Weifang City Port International Trade Co., Ltd.	4	1	Weifang City	Weifang City	Logistics trade	18,000.00	100.00%	100.00%	150.00	1
10	Shandong high - speed Weifang City Port International Logistics Co., Ltd.	4	1	Weifang City	Weifang City	Logistics trade	18,000.00	100.00%	100.00%	150.00	1
11	Shandong high - speed Weifang City Port Construction Co., Ltd.	4	1	Weifang City	Weifang City	Port construction	6,000.00	100.00%	100.00%	100.00	1
12	Shandong high - speed Qingdao City Logistics Development Co., Ltd.	3	1	Qingdao City	Qingdao City	Logistics park construction	16,000.00	100.00%	100.00%	-	1
13	Shandong high - speed Qingdao West Coast Port Co., Ltd.	3	1	Qingdao City	Qingdao City	Logistics trade	80,000.00	60.00%	60.00%	9,600.00	1

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14	Shandong high-speed State Reserve Logistics Co., Ltd.	3	1	Jinan City	Jinan City	Logistics trade	520.00	100.00%	100.00%	520.00	1
15	Shandong High Speed Lunan Logistics Development Co., Ltd.	3	1	Linyi City	Linyi City	Logistics trade	15,000.00	100.00%	100.00%	1,000.00	1
16	Weihai City Commercial Bank	2	2	Weihai City	Weihai City	Currency banking services	417,119.73	58.55%	58.55%	322,617.71	1
17	Shandong Tongda Financial Leasing Co., Ltd.	3	2	Weihai City	Weihai City	Financial leasing services	100,000.00	65.00%	65.00%	65,000.00	1
18	Shandong high - speed Penglai Development Co., Ltd.	2	1	Penglai City	Penglai City	Road operation and management	10,000.00	100.00%	100.00%	-	1
19	Shandong high - speed Materials Group Corporation	2	1	Jinan City	Jinan City	Asphalt products	103,000.00	100.00%	100.00%	103,000.00	4
20	Zhangqiu Shijulang Stone Co., Ltd.	3	1	Jinan City	Jinan City	Stone mining	600.00	70.00%	70.00%	581.43	3
21	Shandong Luxi Asphalt Co., Ltd.	3	1	Heze City	Heze City	Processing and wholesale of petroleum products	500.00	76.00%	76.00%	380.00	1
22	Shandong high - speed Material Storage and Transportation Co., Ltd.	3	1	Zibo City	Zibo City	Processing and storage of petroleum products	6,000.00	100.00%	100.00%	6,000.00	1
23	Shandong high - speed Chongqing Development Co., Ltd.	3	1	Chongqing city	Chongqing	Processing and wholesale of petroleum products	1,750.00	100.00%	100.00%	1,750.00	1
24	Shandong high - speed Hainan Development Co., Ltd.	3	1	Jinan City	Jinan City	Processing and wholesale of petroleum products	100,000.00	100.00%	100.00%	60,000.00	1
25	Shandong high - speed Construction Materials Co., Ltd.	3	1	Jinan City	Jinan City	Processing and wholesale of petroleum products	25,192.76	51.00%	51.00%	12,848.31	1

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26	Shandong sainty Hotel	3	1	Jinan City	Jinan City	Catering Services	9,401.06	100.00%	100.00%	9,401.06	1
27	Qingdao City Huatian Hotel	2	1	Qingdao City	Qingdao City	Tourist hotel	1,500.00	100.00%	100.00%	1,500.00	4
28	Shandong Railway Construction Investment Co., Ltd.	2	1	Jinan City	Jinan City	Railway freight transport	3,673,720.00	32.61%	32.61%	1,270,000.00	1
29	Jiqing high - speed Railway Co., Ltd.	3	1	Jinan City	Jinan City	Railway freight transport	3,000,000.00	49.02%	49.02%	673,281.98	1
30	Lunan high - speed Railway Co., Ltd.	3	1	Jinan City	Jinan City	Railway freight transport	100,000.00	100.00%	100.00%	-	1
31	Shandong high - speed Light Control Industry Investment Fund Management Limited	2	1	Jinan City	Jinan City	Investment and asset management	20,000.00	49.00%	49.00%	9,800.00	1
32	Shandong Huhe high-speed Co., Ltd.	2	1	Heze City	Heze City	Road operation and management	37,300.00	100.00%	100.00%	37,300.00	3
33	Shandong high - speed basketball club Co., Ltd.	2	1	Jinan City	Jinan City	Sports industry	2,000.00	100.00%	100.00%	1.00	3
34	Shandong high - speed Nile Investment and Development Co., Ltd.	2	1	Jinan City	Jinan City	Investment development	10,000.00	100.00%	100.00%	10,000.00	1
35	Shandong Expressway Nile (Hong Kong) Co., Ltd.	3	3	Hong Kong	Hong Kong	Investment development	0.88	100.00%	100.00%	0.88	1
36	Shandong high-speed Gaoguang Highway Co., Ltd.	2	1	Binzhou City	Binzhou City	Road operation and management	1,000.00	100.00%	100.00%	-	1
37	Shandong high - speed Weiri Highway Co., Ltd.	2	1	Weifang City	Weifang City	Road operation and management	4,023.51	51.00%	51.00%	-	1
38	Yantai City Longhai Hotel	2	1	Yantai City	Yantai City	Dining accommodation	2,465.61	100.00%	100.00%	2,465.61	4
39	Hubei Wujiang Freeway Development Co., Ltd.	2	1	Hubei Province	Hubei Province	Highway operation	80,800.00	60.00%	60.00%	48,480.00	3

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40	Shandong high-speed Road&Bridge Group Co., Ltd.	2	1	Jinan City	Jinan City	construction	112,013.91	68.38%	68.38%	76,596.89	4
41	Sichuan LuQiao Lelja Avenue Construction Management Co., Ltd.	3	1	Leshan City	Leshan City	construction	5,300.00	100.00%	100.00%	5,300.00	1
42	Sichuan LuQiao Construction of ShiMianDu Co., Ltd.	3	1	Leshan City	Leshan City	construction	968.00	100.00%	100.00%	968.00	1
43	Sichuan Luqiao Jiamu Road Construction Management Co., Ltd.	3	1	Sichuan City	Sichuan City	construction	2,480.00	90.00%	90.00%	2,232.00	1
44	Sichuan Luqiao Thousand Rock Tunnel Construction Management Co., Ltd.	3	1	Sichuan City	Sichuan City	construction	2,922.00	90.00%	90.00%	2,922.00	1
45	Shandong High-speed Road&Bridge international Engineering Co., Ltd.	3	1	Weifang City	Weifang City	construction	6,150.00	66.67%	66.67%	3,300.00	1
46	Shandong High-speed Road&Bridge investment management Co., Ltd.	3	1	Jinan City	Jinan City	investment	10,000.00	100.00%	100.00%	2,000.00	1
47	Shandong Province Road&Bridge Group Co., Ltd.	3	1	Jinan City	Jinan City	construction	150,000.00	100.00%	100.00%	103,823.96	1
48	Shandong Province high – speed Road&Bridge Conservation Co., Ltd.	4	1	Jinan City	Jinan City	construction	50,000.00	100.00%	100.00%	10,000.00	1
49	Shandong Province Road&Bridge construction Co., Ltd.	4	1	Jinan City	Jinan City	construction	80,000.00	100.00%	100.00%	30,000.00	1
50	Shandong LuQiao Building Materials Co., Ltd.	4	1	Jinan City	Jinan City	Concrete sales	2,000.00	90.00%	90.00%	1,800.00	1
51	Shandong Province Road&Bridge GroupEngineering design consulting Co., Ltd.	4	1	Jinan City	Jinan City	Design consulting	600.00	100.00%	100.00%	600.00	1
52	Shandong LuQiao Construction Co., Ltd.	4	1	Zhangqiu City	Zhangqiu City	construction	30,000.00	100.00%	100.00%	30,000.00	1
53	Fujian Lugao Guanyan Construction Co., Ltd.	4	1	Longyan City	Longyan City	construction	5,000.00	95.00%	95.00%	4,750.00	1
54	Shandong Luqiao Group Lugao Construction Project Management Co., Ltd.	4	1	Jinan City	Jinan City	Engineering construction	6,320.00	95.00%	95.00%	6,004.00	1

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55	Sichuan Lugao Construction Project Management Co., Ltd.	4	1	Suining City	Suining City	Engineering construction	4,000.00	100.00%	100.00%	4,000.00	1
56	Sichuan Luqiao Green Road Maintenance Co., Ltd.	4	1	Sichuan	Sichuan	Building Construction	1,333.00	70.00%	70.00%	933.00	1
57	Shandong high-speed Access Bridge Maintenance Co., Ltd.	4	1	Weifang City	Weifang City	Building Construction	6,150.00	60.00%	60.00%	3,690.00	1
58	Shandong Province Road & Bridge Group Jiaxing Hangzhou Bay Green Conservation Co., Ltd.	4	1	Jiaxing City	Jiaxing City	construction	12,000.00	100.00%	100.00%	4,800.00	1
59	Taishan Property Insurance Co., Ltd.	2	1	Jinan City	Jinan City	property insurance	203,000.00	39.41%	39.41%	88,200.00	1
60	Taisheng insurance sales service Co., Ltd.	3	1	Jinan City	Jinan City	Insurance services	5,000.00	100.00%	100.00%	5,000.00	1
61	Shandong Taishan Folk Capital management Co. Ltd.	3	1	Jinan City	Jinan City	Investment Advisory	10,000.00	60.00%	60.00%	6,000.00	1
62	Shandong Hi-speed Company Limited	2	1	Jinan City	Jinan City	Road transport support activities	481,116.59	70.91%	70.91%	341,162.70	1
63	Shandong high – speed Road operation and management Co., Ltd.	3	1	Jinan City	Jinan City	Highway management	100.00	100.00%	100.00%	100.00	1
64	Shandong high – speed HeNan Development Co., Ltd.	3	1	Zhengzhou City	Zhengzhou City	Investment development	31,382.37	100.00%	100.00%	31,382.37	1
65	Shandong high - speed Group HeNan Xu Yu Road Co., Ltd.	4	1	Xuchang City	Xuchang City	Highway maintenance	20,000.00	100.00%	100.00%	20,000.00	1
66	Shandong high – speed Investment and Development Co., Ltd.	3	1	Jinan City	Jinan City	Investment development	400,000.00	100.00%	100.00%	400,000.00	1
67	Shandong high – speed Ecotechnology Co., Ltd.	4	1	Weifang City	Weifang City	Environmental Protection	2,000.00	100.00%	100.00%	2,000.00	1
68	Xilinhot Ludi Mining Co., Ltd.	4	1	Xilinhot City	Xilinhot City	Mineral exploitation	3,000.00	60.00%	60.00%	1,800.00	3
69	Shandong high – speed Jinan City Investment Construction Co., Ltd.	4	1	Jinan City	Jinan City	Investment development	100,000.00	60.00%	60.00%	60,000.00	1

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70	Shandong high – speed XiCheng Real Estate Co., Ltd.	5	1	Jinan City	Jinan City	Investment development	5,000.00	60.00%	60.00%	3,000.00	1
71	Shandong high – speed ZhangQiu Land Development Co., Ltd.	4	1	Zhangqiu City	Zhangqiu City	Investment development	10,000.00	60.00%	60.00%	6,000.00	1
72	Jinan City PuYuan Land Co., Ltd.	5	1	Zhangqiu City	Zhangqiu City	Investment development	5,000.00	60.00%	60.00%	5,000.00	1
73	Shandong high – speed(Shenzhen) Investment Co., Ltd.	4	1	Shenzhen	Shenzhen	Wholesale of petroleum products	100,000.00	51.00%	51.00%	51,000.00	1
74	Shandong high – speed JiTai Mining Investment Co., Ltd.	4	1	Jinan City	Jinan City	Investment development	1,000.00	51.00%	51.00%	510.00	1
75	YanTai He Sheng Real Estate Development Co., Ltd.	4	1	Yantai City	Yantai City	real estate	10,000.00	100.00%	100.00%	9,997.22	3
76	Shandong high - speed Industrial Development Co., Ltd.	3	1	Jinan City	Jinan City	Property management	1,900.00	100.00%	100.00%	1,900.00	1
77	Shandong high - speed Weilai Highway Co., Ltd.	3	1	Pingdu City	Pingdu City	Highway management	10,000.00	100.00%	100.00%	10,000.00	1
78	Shandong Lijin Yellow River Highway Bridge Co., Ltd.	4	1	Lijin	Lijin	Bridge operation	7,000.00	65.00%	65.00%	4,550.00	1
79	Hunan Hengshao high – speed Co., Ltd.	3	1	Changsha City	Changsha City	Highway management and maintenance	25,000.00	70.00%	70.00%	17,500.00	3
80	Shandong high – speed Hunan Development Co., Ltd.	3	1	Hunan Province	Hunan Province	Investment development	20,000.00	100.00%	100.00%	10,000.00	1
81	Shandong high – speed Qilu Construction Traffic Management Service Co., Ltd.	3	1	Jinan City	Jinan City	Commodity circulation	1,700.00	100.00%	100.00%	1,700.00	1
82	Jinan Changyong Jincheng Equity Investment Partnership (Limited Partnership)	3	2	Jinan City	Jinan City	Investment	501,001.00	100.00%	100.00%	501,001.00	1
83	Jinan Changyong Jinan Investment Partnership (limited partnership)	3	2	Jinan City	Jinan City	Investment	150,000.00	100.00%	100.00%	150,000.00	1

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84	Shandong high - speed Longqing Highway Co., Ltd	2	1	Zhaoyuan City	Zhaoyuan City	Highway management	1,000.00	84.00%	84.00%	510.00	1
85	Shandong High Speed Rail Transit Group Co., Ltd.	2	1	Jinan City	Jinan City	Transportation industry	126,176.00	100.00%	100.00%	126,176.00	4
86	Henan Zhengzhou Railway Co., Ltd.	3	1	Zhengzhou City	Zhengzhou City	Rail transport	43,300.00	70.00%	70.00%	30,300.00	3
87	Shandong high - speed track equipment Material Co., Ltd	3	1	Linqu	Linqu	Manufacture of cement products	5,000.00	100.00%	100.00%	5,000.00	1
88	Shandong Dalai Long Railway Co., Ltd.	3	1	Jinan City	Jinan City	Transport business	66,395.28	80.41%	80.41%	53,385.28	1
89	Shandong Province Lu Tie Economic and Trade Co., Ltd.	3	1	Jinan City	Jinan City	Commodity circulation	100.00	100.00%	100.00%	100.00	1
90	Shandong Ruitong Logistics Co., Ltd	3	1	Jinan City	Jinan City	Service industry	2,000.00	100.00%	100.00%	2,000.00	1
91	Shandong High Speed Rail Transit Group Co., Ltd Jinan City Engineering branch	3	1	Jinan City	Jinan City	Construction industry	30	100.00%	100.00%	30	1
92	Shandong Ruiyuan Logistics Co., Ltd.	3	1	Jinan City	Jinan City	Service industry	2,000.00	65.00%	65.00%	1,300.00	1
93	Shandong Shouping Railway Co., Ltd.	3	1	Jinan City	Jinan City	Transportation industry	83,646.70	65.60%	65.60%	50,000.00	1
94	Shandong Zhonglan Railway Operation Co., Ltd.	3	1	Rizhao City	Rizhao City	Rail transport	120,000.00	51.00%	51.00%	5,100.00	1
95	Shandong High Speed New Material Technology Co., Ltd.	3	1	Jinan City	Jinan City	Cold rolled steel production and sales	10,000.00	52.58%	52.58%	5,100.00	1
96	Shandong High Speed Group Henan Xu Bo Highway Co., Ltd.	2	1	Xuchang City	Xuchang City	Highway management and maintenance	20,000.00	100.00%	100.00%	145,541.15	3

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97	Shandong high - speed cultural media Co., Ltd	2	1	Jinan City	Jinan City	Other arts and culture	7,533.65	100.00%	100.00%	7,533.65	1
98	Shandong Ocean Group Co., Ltd	2	1	Jinan City	Jinan City	Investment and asset management	320,000.00	31.25%	31.25%	100,000.00	1
99	Shandong shipping Limited by Share Ltd	3	1	Qingdao City	Qingdao City	Transportation industry	300,000.00	50.00%	50.00%	250,000.00	1
100	Shandong Maritime International Trade Co., Ltd.	4	1	Qingdao City	Qingdao City	trading	6,000.00	100.00%	100.00%	6,000.00	1
101	Inner Mongolia Taiyue Logistics Co., Ltd.	4	1	Hohhot City	Hohhot City	Transportation industry	2,000.00	51.00%	51.00%	624.00	1
102	Shanghai Bijie Ship Management Co., Ltd.	4	1	Shanghai City	Shanghai City	Trade	632.83	100.00%	100.00%	705.70	1
103	Shandong Shipping Development Co., Ltd.	4	1	Qingdao City	Qingdao City	Transportation industry	7,200.00	100.00%	100.00%	7,200.00	3
104	Shandong Shipping Ship Management Co., Ltd.	5	1	Qingdao City	Qingdao City	Service industry	500.00	91.00%	91.00%	455.00	3
105	Shanghai Hai Ming Industrial Co., Ltd	5	1	Shanghai	Shanghai	trading	100.00	100.00%	100.00%	100.00	1
106	panstar shipping pte Ltd.	5	3	Singapore	Singapore	Transportation industry	47.03	100.00%	100.00%	47.03	1
107	Shandong maritime seafarers labor Co., Ltd.	5	1	Qingdao City	Qingdao City	Service industry	600.00	93.34%	93.34%	430.96	3
108	Shandong Marine Tanker Transport Co., Ltd.	4	3	Hong Kong	Hong Kong	shipment service	5,268.16	100.00%	100.00%	5,268.16	1
109	Shandong maritime mechanical and electrical equipment Co., Ltd.	4	1	Qingdao City	Qingdao City	Electrical Equipment	1,000.00	45.00%	45.00%	450.00	1
110	Shandong Maritime Singapore merger	4	3	Singapore	Singapore	shipment service	798.00	100.00%	100.00%	798.00	1
111	Shandong Shipping Hong Kong merger	4	3	Hong Kong	Hong Kong	shipment service	800.00	100.00%	100.00%	800.00	1

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112	Shandong Ocean Business Investment Co., Ltd.	3	1	Jinan City	Jinan City	Business investment	1,000.00	51.00%	51.00%	510.00	1
113	Shandong Water Transport Development Co., Ltd.	3	1	Jinan City	Jinan City	River transport	5,000.00	98.00%	98.00%	4,900.00	1
114	Shandong Zhushui River Transport Development Co., Ltd.	4	1	Jining City	Jining City	Transportation	5,600.00	73.00%	73.00%	4,088.00	1
115	Shandong Yizhou PortCo., Ltd.	4	1	Zaozhuang City	Zaozhuang City	Transportation	2,730.00	50.55%	50.55%	1,035.00	1
116	Tengzhou Xinao Energy Logistics Port Co., Ltd.	4	1	Tengzhou City	Tengzhou City	Transportation	5,500.00	55.00%	55.00%	1,795.20	1
117	Haisheng International Finance Leasing Co., Ltd.	4	1	Jinan City	Jinan City	Jinan City	21,500.00	46.98%	60.00%	10,100.00	1
118	Shandong Ocean Engineering Equipment Co., Ltd.	3	1	Qingdao City	Qingdao City	Engineering equipment	18,000.00	95.60%	95.60%	17,200.00	1
119	SDOE INTERNATIONAL FINANCE I COMPANY LIMITED	4	3	The British Virgin Islands	The British Virgin Islands	Special purpose		100.00%	100.00%		1
120	Shandong Huasheng Financial Leasing Co., Ltd.	4	1	Qingdao City	Qingdao City	Financial leasing	100,000.00	40.00%	40.00%	40,000.00	1
121	Huasheng International (Hong Kong) Limited Financial Leasing Co., Ltd.	5	3	Hong Kong	Hong Kong	Financial leasing		100.00%	100	100.00%	1
122	JinanShizhong District Hairong MicroCreditCo., Ltd.	3	2	Jinan City	Jinan City	Financial services	16,000.00	48.75%	49.00%	7,800.00	1
123	Jina Huishuo Trading Co., Ltd.	4	1	Jinan City	Jinan City	trading	100.00	100.00%	100.00%		1
124	Shandong Ocean Financial HoldingsCo., Ltd.	3	1	Jinan City	Jinan City	Financial services	150,000.00	94.44%	94.44%	33,948.95	1
125	ShandongOcean International (Hong Kong) Co., Ltd.	4	3	Hong Kong	Hong Kong	trading	636.72	100.00%	100.00%	0.06	1

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126	Feng Mao (Qingdao) Kegong Development Co., Ltd Co., Ltd.	5	1	Qingdao City	Qingdao City	Agricultural products sales	\$ 200.00	100.00%	100.00%	104.02	1
127	Shandong Henglan Venture Capital Co., Ltd.	4	1	Jinan City	Jinan City	Investment management	1,000.00	100.00%	100.00%	1,000.00	1
128	Shandong high - speed service area management Co., Ltd	2	1	Jinan City	Jinan City	Service industry	44,904.49	100.00%	100.00%	44,904.49	4
129	Shandong high – speed Petrochemical Co., Ltd.	3	1	Jinan City	Jinan City	business	9,000.00	58.00%	58.00%	9,000.00	1
130	Shandong high – speed international tourism Co., Ltd.	3	1	Jinan City	Jinan City	Travel services	200.00	60.00%	60.00%	200.00	1
131	Shandong high – speed Qingdao City Property Management Co., Ltd.	3	1	Qingdao City	Qingdao City	Property management	100.00	100.00%	100.00%	100.00	1
132	Shandong High-Speed Bioengineering Co., Ltd	3	1	Jinan City	Jinan City	Processing of agricultural products	500.00	100.00%	100.00%	500.00	1
133	Shandong high-speed Yingli New Energy Co., Ltd.	3	1	Jinan City	Jinan City	Manufacturing	10,000.00	75.00%	75.00%	5,250.00	1
134	Texas Chemical Chemical Technology Co., Ltd	3	1	Jinan City	Jinan City	Wholesale of petroleum products	3,500.00	51.00%	51.00%	1,785.00	3
135	Shandong high - speed Qingdao Development Co., Ltd	2	1	Qingdao City	Qingdao City	Highway management and maintenance	306,862.00	100.00%	100.00%	334,604.95	1
136	Shandong high – speed Qingdao City Road Co., Ltd.	3	1	Qingdao City	Qingdao City	High - speed operation and management	100,000.00	100.00%	100.00%	333,604.95	1
137	Shandong high – speed Qingdao Jiaye Asset Management Co., Ltd	3	1	Qingdao City	Qingdao City	High - speed operation and management	18,600.00	100.00%	100.00%	36,660.00	1

No.	Company name Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
138	Shandong high - speed Qingdao City Qingdao Jiaozhou Bay Bridge Investment Development Co., Ltd.	3	1	Qingdao City	Qingdao City	High - speed operation and management	5,000.00	100.00%	100.00%	5,000.00	1
139	Qingdao City Zhongchangtai Real Estate Co., Ltd.	3	1	Qingdao City	Qingdao City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
140	Qingdao Zhongjun Thai Real Estate Co., Ltd	3	1	Qingdao City	Qingdao City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
141	Shandong High Speed Private Capital Management Co., Ltd.	3	1	Qingdao City	Qingdao City	investment	30,000.00	100.00%	100.00%	30,000.00	1
142	Shandong high - speed Sichuan Industrial Development Co., Ltd	2	1	Chengdu City	Chengdu City	Highway management and maintenance	300,000.00	100.00%	100.00%	415,820.20	1
143	Shandong high - speed SiChuan Investment developmentCo., Ltd.	3	1	Chengdu City	Chengdu City	Highway management and maintenance	1,000.00	100.00%	100.00%	1,000.00	1
144	Baoxing Guosheng Mining Co., Ltd	4	1	Ya'an city	Ya'an city	Building materials sales	4,700.00	100.00%	100.00%	4,700.00	3
145	Shandong high - speed Group SiChuan Leyi Road Co., Ltd.	3	1	Leshan City	Leshan City	Highway operation	21,000.00	100.00%	100.00%	242,925.00	1
146	Shandong high - speed Group SiChuanLezi Road Co., Ltd.	3	1	Zigong City	Zigong City	Highway operation	32,600.00	100.00%	100.00%	171,895.20	1
147	LeShanTaiJi Investment developmentCo., Ltd.	4	1	Leshan City	Leshan City	real estate	1,000.00	100.00%	100.00%	1,000.00	1
148	Shandong high speed (BVI) Capital management Co., Ltd.	2	3	Hong Kong	Hong Kong	Capital management	0.01	100.00%	100.00%		1
149	Shandong High - speed Technology Development Group Co., Ltd	2	1	Jinan City	Jinan City	Engineering survey and design	15,000.00	100.00%	100.00%	15,000.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
150	Shandong high – speed Engineering Consulting Co., Ltd.	3	1	Jinan City	Jinan City	Engineering management services	2,000.00	100.00%	100.00%	2,000.00	1
151	Shandong high – speed engineering inspection Co., Ltd.	3	1	Jinan City	Jinan City	Quality inspection technical services	934.10	100.00%	100.00%	934.1	1
152	Shandong high – speed The Road New Material Technology Co., Ltd.	3	1	Jinan City	Jinan City	New materials technical services	500.00	51.00%	51.00%	255.00	1
153	Shandong High Speed Building Design Co., Ltd.	3	1	Jinan City	Jinan City	engineering design	367.00	51.00%	51.00%	209.02	3
154	Shandong Lujian Urban Planning and Design Institute	3	1	Jinan City	Jinan City	Planning and Design	53.00	100.00%	100.00%	53.00	4
155	Shandong Survey and Design Service Co., Ltd.	3	1	Jinan City	Jinan City	professional design	20.00	100.00%	100.00%	20.00	4
156	Shandong Sanyi Engineering Construction Supervision Co., Ltd.	3	1	Jinan City	Jinan City	Engineering Management Services	300.00	100.00%	100.00%	300.00	4
157	Shandong high - speed information Engineering Co., Ltd	2	1	Jinan City	Jinan City	Information technology services	11,500.00	95.00%	95.00%	10,925.00	1
158	Shandong high - speed Xinwei Information Technology Co., Ltd	3	1	Jinan City	Jinan City	Information technology services	1,000.00	51.00%	51.00%	510.00	1
159	Shandong high - speed Xinbo Information Technology Co., Ltd	3	1	Jinan City	Jinan City	Information technology services	300.00	41.00%	41.00%	41.00	1
160	Shandong Shuangli Electronic Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Information technology services	5,088.00	51.00%	51.00%	6,120.00	3
161	Shandong high-speed Qilu Construction Group	2	1	Jinan City	Jinan City	Construction and installation	51,338.30	100.00%	100.00%	51,338.30	4

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
162	Shandong Qilu Construction Group Decoration Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Public building decoration and decoration	120.00	100.00%	100.00%	120.00	1
163	Shandong Qilu Construction Group Equipment Installation Co., Ltd.	3	1	Jinan City	Jinan City	Pipe and equipment installation	120.00	100.00%	100.00%	120.00	1
164	Shandong Qilu Construction Group Construction Engineering Co., Ltd.	3	1	Jinan City	Jinan City	Public building decoration and decoration	120.00	100.00%	100.00%	120.00	1
165	Shandong high - speed letter of the payment Co., Ltd	2	1	Jinan City	Jinan City	Information technology services	36,000.00	100.00%	100.00%	36,000.00	1
166	Beijing Xintang Xinrui Technology Co., Ltd.	3	1	Beijing City	Beijing City	Information technology services	610.00	100.00%	100.00%		3
167	Shandong High Speed Investment Holdings Co., Ltd	2	1	Jinan City	Jinan City	Investment and asset management	109,791.03	100.00%	100.00%	109,791.03	1
168	Shandong high - speed (Shanghai) Investment holding Co., Ltd	3	1	Shanghai	Shanghai	Other services	100,000.00	100.00%	100.00%	5,175.80	1
169	Shandong Province Rural Economic Development Investment Co., Ltd	2	1	Jinan City	Jinan City	Agricultural services	134,544.92	100.00%	100.00%	130,340.44	4
170	Laizhou Beilai Highway Investment Co., Ltd.	3	1	Laizhou City	Laizhou City	Highway operation	25,000.00	100.00%	100.00%	25,000.00	2
171	Shandong Road&Bridge Driver Training Co., Ltd.	3	1	Jinan City	Jinan City	Service industry	300	100.00%	100.00%	300	2
172	Shandong International (Hong Kong) Co., Ltd.	3	3	Hong Kong	Hong Kong	Service industry	83,093.16	100.00%	100.00%	83,093.16	1
173	Shandong high - speed (BVI) International Holdings Co., Ltd.	4	3	Hong Kong	Hong Kong	Service industry	0.01	100.00%	100.00%	-	1
174	Shandong high – speed Global Finance Leasing Co., Ltd.	5	1	Jinan City	Jinan City	Other machinery and equipment leasing	\$ 28,000.00	100.00%	100.00%	182,724.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
175	Shandong high – speed property management Co., Ltd.	3	1	Jinan City	Jinan City	Property	200.00	100.00%	100.00%	200.00	1
176	Shandong Forestry Science and Technology Development Corporation	3	1	Jinan City	Jinan City	forestry	50.00	100.00%	100.00%		3
177	Shandong Sendi Landscaping Engineering Co., Ltd.	3	1	Jinan City	Jinan City	building	100.00	100.00%	100.00%		3
178	Shandong Yingtai Company	3	1	Jinan City	Jinan City	Service industry	1,550.00	100.00%	100.00%		3
179	Shandong Jihua Trading Company	3	1	Jinan City	Jinan City	wholesale	200.00	100.00%	100.00%		3
180	Shandong Provincial Foreign Construction Engineering Corporation	3	1	Jinan City	Jinan City	building	1,000.00	100.00%	100.00%		3
181	Jinan Shangaodeguang Investment Co., Ltd.	3	1	Jinan City	Jinan City	Non-financial guarantee services	100.00	50.00%	50.00%		1
182	Guangde Shangao Jinsui Investment Management Partnership (Limited Partnership)	4	1	Guangde City	Jinan City	Non-financial guarantee services	1,000,001.00	20.00%	20.00%	125,000.00	1
183	Shandong Honglin Engineering Technology Co., Ltd.	3	1	Jinan City	Jinan City	Forest nursery	1,050.00	100.00%	100.00%	1,050.00	4
184	Shandong Seafarer Training Center	3	1	Jinan City	Jinan City	Vocational skills training	60.00	100.00%	100.00%	60.00	4
185	China Shandong International Economic & Technical Cooperation Corp.	2	1	Jinan City	Jinan City	Other services	50,070.00	100.00%	100.00%	50,070.00	4
186	Shandong International (Sudan) Co., Ltd.	3	3	Khartoum	Khartoum	Other services	82.77	100.00%	100.00%	82.77	1
187	Jinan Hengyi Investment Co., Ltd.	3	1	Jinan City	Jinan City	investment	1,000.00	100.00%	100.00%	1,000.00	1
188	Canadian CSD Energy Co., Ltd.	3	1	Canada	Canada	Oil extraction		100.00%	100.00%		
189	China Shandong Foreign Economic and Technical Cooperation Group Co., Ltd.	3	1	Jinan City	Jinan City	Foreign economic cooperation business	35,000.00	100.00%	100.00%	35,000.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
190	Shandong Foreign Economic (Hong Kong) Co., Ltd.	4	3	Hong Kong	Hong Kong	Trade services	10.00	100.00%	100.00%	10.00	1
191	HaoCai Co., Ltd.	4	3	Serbia	Serbia	construction	0.08	100.00%	100.00%	0.08	1
192	Rudy Trading Co., Ltd.	4	3	Dubai	Dubai	Trade services	180.96	100.00%	100.00%	180.96	1
193	Shandong high - speed Ghana Company	4	3	Ghana	Ghana	real estate	61.55	100.00%	100.00%	61.55	1
194	Lugo International Trading (Shanghai) Co., Ltd.	4	2	Shanghai City	Shanghai City	Trade	100.00	100.00%	100.00%	100.00	
195	New Era Agricultural Development Co., Ltd.	3	3	Sudan	Sudan	Other services	32.29	51.00%	51.00%	32.29	1
196	Shandong High - speed Real Estate Group Co., Ltd	2	1	Jinan City	Jinan City	real estate	500,000.00	100.00%	100.00%	155,000.00	1
197	Shandong high - speed Green City Real Estate Investment Co., Ltd.	3	1	Dongying City	Dongying City	real estate	20,000.00	51.00%	51.00%	10,200.00	1
198	Shandong high - speed City Construction Investment Co., Ltd.	3	1	Qingdao City	Qingdao City	real estate	10,000.00	60.00%	60.00%	6,000.00	1
199	Shandong high speed real estate development Co., Ltd.	3	1	Jinan City	Jinan City	real estate	20,000.00	100.00%	100.00%	20,000.00	1
200	Jinan Shengbang Real Estate Development Co., Ltd.	4	1	Jinan City	Jinan City	real estate	10,000.00	60.00%	60.00%	6,000.00	1
201	Shandong high-speed Changhe Property Services Co., Ltd.	3	1	Jinan City	Jinan City	Property Services	300.00	100.00%	100.00%	100.00	1
202	Jinan Huibo Real Estate Co., Ltd.	3	1	Jinan City	Jinan City	real estate	2,000.00	100.00%	100.00%	2,000.00	2
203	Shandong high-speed Binzhou Real Estate Co., Ltd.	3	1	Binzhou city	Binzhoucity	real estate	1,000.00	100.00%	100.00%	150.00	2
204	Shandong high - speed Haiyang Real Estate Co., Ltd.	3	1	Haiyang City	Haiyang City	real estate	1,000.00	100.00%	100.00%	1,000.00	1

No.	Company name	Class	Company type	Registration place	Main business area	Nature of business	Paid-up capital (RMB'0000)	Shareholding ratio	Voting right	Amount of investment (RMB'0000)	Mode of acquisition
205	Shandong high-speed Taishan Development Co., Ltd.	3	1	Taian City	Taian City	real estate	200,000.00	100.00%	100.00%	2,200.00	1
206	Shandong high - speed (Singapore) Co., Ltd.	2	1	Singapore	Singapore	Investment development	1,230.12	100.00%	100.00%	1,230.12	1
207	Shandong High-Speed Yunnan Development Co., Ltd	2	1	Kunming City	Kunming City	Highway management and maintenance	177,851.26	100.00%	100.00%	177,851.26	1
208	Yunnan Suomeng high - speed Co., Ltd.	3	1	Kunming City	Kunming City	Highway management and maintenance	20,000.00	90.00%	90.00%	18,000.00	3
209	Kunming New Airport Expressway Construction and Development Co., Ltd	3	1	Kunming City	Kunming City	Highway management and maintenance	61,140.00	70.00%	70.00%	42,798.00	3
210	Shandong high – speed Honghe Transportation Investment Co., Ltd.	3	1	Mengzi City	Mengzi City	Highway operation	10,000.00	90.00%	90.00%	9,000.00	1
211	Yunnan Tongda Capital Management Co., Ltd.	3	2	Kunming City	Kunming City	Investment and Financing	50,000.00	100.00%	100.00%	50,000.00	1
212	Shandong High -speed Hubei Development Co., Ltd.	2	1	Wuhan City	Wuhan City	Road, bridge, tunnel construction	20,000.00	100.00%	100.00%	20,000.00	1
213	Wuhan Jincheng Xingfa Real Estate Co., Ltd.	3	1	Wuhan City	Wuhan City	Real estate leasing operations	10,800.00	100.00%	100.00%	12,872.07	3

[Note: Type of enterprise: 1, domestic non-financial subsidiary companies; 2, domestic financial subsidiary enterprises; 3, overseas subsidiary enterprises; 4, public institutions; 5, infrastructure construction units;

Way to obtain: 1 invested; 2 merger of enterprises under one group; 3 merger of enterprises under different groups; 4 others.]

(II) The reason why the parent company has less than half of right to vote in the investee but can control the investee

No.	Company name	Shareholding ratio	Paid-up capital (RMB'0000)	Amount of investment (RMB'0000)	Class	Reason for inclusion in the scope of consolidation
1	Taishan Property Insurance Co., Ltd	39.41%	203,000.00	88,200.00	2	Major shareholder
2	Shandong Ocean Investment Co., Ltd	31.25%	320,000.00	100,000.00	2	Major shareholder
3	Shandong high - speed light control industry investment fund management Limited	49.00%	20,000.00	9,800.00	2	Majority shareholder, substantial control
4	Shandong Railway Construction Investment Co., Ltd	32.61%	3,673,720.00	1,270,000.00	2	Majority shareholder, substantial control
5	SDSC Offshore Engineering Co., Ltd	45.00%	1,000.00	450.00	4	Majority shareholder, substantial control

(III) The reason why the parent company has more than half of right to vote in the investee directly or through other subsidiaries but can't control the investee

No	Company name	Shareholding ratio (%)	Voting right (%)	Paid-up capital (RMB'0000)	Amount of investment (RMB'0000)	Class	Reason for no inclusion in the scope of consolidation
1	China Airport Holdings Co., Ltd	51.00	51.00	HKD 10,000,000	0	3	Not controlled substantially
2	China Airport Industry Investment Co., Ltd	100.00	100.00	HKD 100	HKD 100	4	Not controlled substantially
3	Qiaohua Company Limited	100.00	100.00	HKD 100	HKD 100	5	Not controlled substantially
4	China Airport Holdings (Europe) Company Limited	100.00	100.00	Euro 10,000	Euro 10000	6	Not controlled substantially

(IV) Entities newly included in the scope of consolidation and entities no longer included in the scope of consolidation in current period

1. Entities newly included in the scope of consolidation in current period

No	Name	Reason for inclusion	Class	Net assets at the end of the year	Net profit this year
1	Shandong Forestry Science and Technology Development Corporation	Allocation	3	-2,567,565.09	405,330.14

No	Name	Reason for inclusion	Class	Net assets at the end of the year	Net profit this year
2	Shandong Sendi Landscaping Engineering Co., Ltd.	Allocation	3	-4,331,021.28	-291,815.33
3	Shandong Yingtai Company	Allocation	3	-248,925,243.21	-1,416,269.25
4	Shandong Jihua Trading Company	Allocation	3	-3,456,998.76	-482,227.06
5	Shandong Provincial Foreign Construction Engineering Corporation	Allocation	3	-52,055,780.20	270,392.99
6	Guangde Shangao Jinsui Investment Management Partnership (Limited Partnership)	Establishment	4	6,250,000,000.00	0.00
7	Shandong High-speed Hubei Development Co., Ltd.	Establishment	2	200,527,391.19	527,391.19
8	Wuhan Jincheng Xingfa Real Estate Co., Ltd.	Business combination not under common control	3	106,186,561.08	-14,442,531.71
9	Shandong High-speed Private Capital Management Co., Ltd.	Establishment	3	300,000,000.00	0.00
10	Shandong Zhonglan Railway Operation Co., Ltd.	Establishment	3	100,000,000.00	0.00
11	Shandong High-speed New Material Technology Co., Ltd.	Establishment	3	97,000,000.00	0.00
12	Shandong High-speed Building Design Co., Ltd.	Business combination not under common control	3	4,238,546.57	125,881.82
13	Shandong Lujian Urban Planning and Design Institute	Allocation	3	-161,068.41	101,983.10
14	Shandong Survey and Design Service Co., Ltd.	Allocation	3	-793,839.58	7,709.98
15	Shandong High-speed Xinbo Information Technology Co., Ltd.	Establishment	3	1,002,903.29	2,903.29
16	Shandong Shuangli Electronic Engineering Co., Ltd.	Business combination not under common control	3	63,896,742.59	-2,962,234.75
17	Shandong High-speed Qilu Construction Group Decoration Engineering Co., Ltd.	Establishment	3	1,283,223.02	44,320.36
18	Shandong High-speed Qilu Construction Group Equipment Installation Co., Ltd.	Establishment	3	1,443,810.40	161,878.09
19	Shandong High-speed Qilu Construction Group Construction Engineering Co., Ltd.	Establishment	3	1,242,513.81	83.87
20	Beijing Xintang Xinrui Technology Co., Ltd.	Establishment	3	-21,301.00	-21,301.00
21	Shandong High-speed State Reserve Logistics Co., Ltd.	Establishment	3	5,274,149.29	74,149.29
22	Shandong High-speed Lunan Logistics Development Co., Ltd.	Establishment	3	10,001,287.84	1,287.84
23	Shandong high-speed Taishan Development Co., Ltd.	Establishment	3	22,110,296.17	110,296.17
24	Shandong High-speed Nile (Hong Kong) Co., Ltd.	Establishment	3	8,843.00	0.00

No	Name	Reason for inclusion	Class	Net assets at the end of the year	Net profit this year
25	Sichuan Luqiao Jiamu Road Construction Management Co., Ltd.	Establishment	3	6,726,376,971	1,576,976.71
26	Sichuan Luqiao Thousand Rock Tunnel Construction Management Co., Ltd.	Establishment	3	14,633,113.20	33,113.20
27	Shandong High-speed Road&Bridge International Engineering Co., Ltd.	Establishment	3	49,562,924.09	62,924.09
28	Shandong High-speed Road&Bridge Investment Management Co., Ltd.	Establishment	3	19,698,459.36	23,959.36
29	Fujian Lugao Guanyan Construction Co., Ltd.	Establishment	4	50,015,748.96	15,748.96
30	Shandong Road&Bridge Group Lugao Construction Project Management Co., Ltd.	Establishment	4	60,055,385.25	15,385.25
31	Sichuan Lugao Construction Project Management Co., Ltd.	Establishment	4	42,331,782.22	2,331,782.22
32	Sichuan Luqiao Green Road Maintenance Co., Ltd.	Establishment	4	13,339,903.70	9,903.70
33	Shandong High-speed Access Bridge Maintenance Co., Ltd.	Establishment	4	61,543,701.41	39,075.41
34	Jinan Changying Jincheng Equity Investment Partnership (Limited Partnership)	Establishment	3	5,010,180,554.06	170,554.06
35	Jinan Changying Jinan Investment Partnership (limited partnership)	Establishment	4	1,500,000,000.00	0.00
36	Shanghai Bijie Ship Management Co., Ltd	Establishment	4	6,708,498.80	1,781,039.26
37	Shandong Marine Tanker Transport Co., Ltd.	Establishment	4	82,744,050.07	27,012,254.95
38	Tengzhou Xinao Energy Logistics Port Co., Ltd.	Establishment	4	35,591,356.34	0.00
39	Jinan Shangaodeguang Investment Co., Ltd.	Establishment	3	6,250,000,000.00	0.00
40	Canadian CSD Energy Co., Ltd.	Establishment	3	-11,132,079.44	-11,067,652.97
41	Lugo International Trading (Shanghai) Co., Ltd.	Establishment	4	-38,143.04	9,856.96
42	Shandong High-speed Changhe Property Services Co., Ltd.	Establishment	3	1,072,462.65	72,462.65
43	SDOE INTERNATIONAL FINANCE I COMPANY LIMITED	Establishment	4	4,114,990.29	4,023,822.22
44	Shandong Huasheng Financial Leasing Co., Ltd.	Establishment	4	1,042,306,405.74	42,248,091.52
45	Huasheng International (Hong Kong) Finance Leasing Co., Ltd.	Establishment	5	0.00	555.10

2. Entities no longer included in the scope of consolidation in current period

No	Name	Registered address	Registered capital (RMB'0000)	Business nature	Shareholding ratio (%)	Reason for no inclusion
1	Shandong High-speed Qingchuan Natural Asphalt Development Co., Ltd.	Guangyuan City	6,000.00	Non-metallic mining	100.00	de-registered
2	Ai Rui Te (Shanghai) Chemical Co., Ltd.	Shanghai	500.00	Wholesale of petroleum product	100.00	de-registered
3	Qingdao Zhongyutai Real Estate Co., Ltd.	Qingdao City	1,000.00	real estate	100.00	de-registered
4	China Shandong Foreign Economic and Trade Group Import and Export Co., Ltd.	Hong Kong	200.00	Trade services	100.00	de-registered
5	LeShanHuiZhi Investment developmentCo., Ltd.	Leshan City	1,000.00	real estate	100.00	disposed and transferred
6	LeShanWanRun Investment developmentCo., Ltd.	Leshan City	1,000.00	real estate	100.00	disposed and transferred
7	Shandong High-speed Zaohe Highway Co., Ltd.	Jinan City	1,000.00	Highway Operations Management	100.00	disposed and transferred
8	Shandong High-speed Jitai East Highway Co., Ltd.	Jinan City	1,000.00	Highway Operations Management	100.00	disposed and transferred
9	Shandong high-speed Jushan Highway Co., Ltd.	Heze City	1,000.00	Road operation and management	100.00	disposed and transferred
10	Shandong high – speed Volcanic Island (Zhangzhou) Land Co., Ltd.	Zhangzhou City	1,000.00	Investment development	51.00	disposed and transferred
11	Qingdao International Shipping Building Management Co., Ltd.	Qingdao City	500.00	Service industry	100.00	disposed and transferred
12	SVIDAX PRO DOO	Serbia	5.52	construction	100.00	de-registered
13	Qingdao International Shipping Building Management Co., Ltd.	Qingdao City	500.00	Service industry	100.00	de-registered
14	ShandongYizhou Water Transport Service Co., Ltd.	Zaozhuang City	1,000.00	Transportation	100.00	de-registered
15	Shandong Ocean Development Co., Ltd.	Qingdao City	70,000.00	Transportation	100.00	disposed and transferred
16	Qingdao Xunwei Business Service Co., Ltd.	Qingdao City	50.00	Service industry	100.00	de-registered

VIII. Description of important Items in consolidated financial statements

note 1 Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	227,365,803.07	194,513,165.88
Bank balances	36,688,247,729.71	41,499,999,122.38
Other cash and bank balances	3,154,763,314.66	3,648,371,131.13

Items	Closing balance	Opening balance
Total	40,070,376,847.44	45,342,883,419.39
Including: Total amount of deposited abroad	325,778,593.33	596,874,749.02

1) The deposit reserve Items deposited in Central Bank of China by Weihai City Commercial Bank Co., Ltd., the holding subsidiary of the Company is listed in the title of bank balances in the Group's consolidated statements according to the regulations on conversion of Items in commercial enterprises' statements. The deposit reserve deposited in Central Bank of China includes the statutory deposit reserve of RMB 15,205,996,263.75 and excess deposit reserve of RMB 3,728,477,687.35. According to regulations, the statutory deposit reserve deposited in People's Bank of China and the fiscal deposit deposited in Central Bank shall not be used for daily business. As of December 31, 2017, the appropriate RMB deposit reserve deposit ratio was 13.50% (14.50% as of December 31, 2016) and the foreign currency reserve deposit ratio was 5% (5% as of December 31, 2016). The People's Bank of China does not pay interest on the deposit of foreign exchange deposits deposited.

2) Other cash and bank balances are mainly bank guarantee, acceptance bill and L/C guarantee.

note 2 Financial assets measured at fair value through profits and losses of the current period

Items	Closing balance	Opening balance
Subtotal of transactional financial assets	7,281,656,304.85	5,537,982,883.27
Including: Investment in debt instruments	5,362,536,316.77	4,138,369,908.39
Investment in equity instruments	1,919,119,988.08	1,399,612,974.88
Financial assets designated as measured at fair value through profits and losses of the current period		
Total	7,281,656,304.85	5,537,982,883.27

note 3 Notes receivable

1. Categories of notes receivable

Category	Closing balance	Opening balance
Bank acceptance bill	533,227,592.03	334,472,543.67
Commercial acceptance bill	10,889,223.11	3,637,196.41
Total	544,116,815.14	338,109,740.08

2. The amount of notes receivable that has been pledged

Category	Closing balance pledged
Bank acceptance bill	125,083,500.00

Category	Closing balance pledged
Commercial acceptance bill	
Total	125,083,500.00

3. The amount of notes receivable that has been endorsed or discounted and has not become due on balance sheet date.

Category	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	484,350,758.31	
Commercial acceptances	60,000,000.00	
Total	544,350,758.31	

At the end of the year, there were no bills receivable, which were converted into accounts receivable due to the failure of the drawer.

note 4 Accounts receivable

Category	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually	705,996,536.13	12.77	90,156,445.38	12.77
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	4,722,187,520.80	85.42	466,401,532.59	9.88
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	100,015,403.70	1.81	76,434,063.60	76.42
Total	5,528,199,460.63	100.00	632,992,041.57	

Continued:

Category	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually	369,369,615.39	8.54	20,135,290.62	5.45
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	3,847,348,872.72	88.93	307,291,692.27	7.99
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	109,301,659.82	2.53	59,192,325.60	54.16

Category	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Total	4,326,020,147.93	100.00	386,619,308.49	

1. Accounts receivable with significant single amounts at the end of period and for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Henan Business Group Co., Ltd. Qingdao Branch	102,352,860.40	37,665,858.13	2-4years	36.80	Estimated future cash flow
Southern Petrochemical Group Co., Ltd	57,827,900.00	17,348,370.00	1-2years	30.00	Estimated future cash flow
Guangzhou Daguang Expressway Co., Ltd.	140,309,906.43	35,142,217.25	1-4years	25.05	Estimated future cash flow
Green Investment International Trading (Shanghai) Co., Ltd.	222,445,546.81		Within 1years		Estimated future cash flow
Hebei Taiheng Special Steel Co., Ltd.	112,909,877.53		Within 1years		Estimated future cash flow
Shandong Guoming Ductile Casting Tube Technology Co., Ltd.	70,150,444.96		Within 1years		Estimated future cash flow
Total	705,996,536.13	90,156,445.38			

2. Accounts receivable for which bad debt provision are drawn according to credit risk characteristics combination

(1) Accounts receivable for which bad debt provision are drawn by adopting aging analysis method:

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	2,412,545,313.33	61.79	108,069,617.60	2,200,156,796.28	68.78	109,537,028.80
1 to 2 years	793,071,102.23	20.31	79,307,110.24	761,440,121.22	23.81	75,859,901.34
2 to 3 years	531,429,061.10	13.61	159,428,718.31	115,428,040.85	3.61	34,628,411.96
Over 3 years	167,490,684.31	4.29	119,596,086.44	121,266,305.34	3.80	87,266,350.17
Total	3,904,536,160.97	100.00	466,401,532.59	3,198,291,263.69	100.00	307,291,692.27

(2) Accounts receivable for which bad debt provision are drawn by adopting another combination method

Name of combination	Closing balance			Opening balance		
	Book balance	Percentage (%)	Provision for bad debt	Book balance	Percentage (%)	Provision for bad debt
Related party combination	64,147,776.52			1,416,632.44		
Combination with no risk upon single test	753,503,583.31			647,640,976.59		
Total	817,651,359.83			649,057,609.03		

3. Accounts receivable with insignificant single amounts at the end of period but for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Qingdao Qinglong Expressway Construction Co., Ltd.	19,892,095.60	5,757,726.17	1-3 years	28.94	Estimated future cash flow
Jinan Railway Coal Trade Group Co., Ltd. Qingdao Branch	18,100,000.00	14,480,000.00	3-4 years	80.00	Estimated future cash flow
Shandong Bogeda Real Estate Co., Ltd.	15,770,282.56	15,770,282.56	1-2 years	100.00	Estimated future cash flow
Wudi World Trade Co., Ltd.	5,966,730.00	5,966,730.00	4-5 years	100.00	Estimated future cash flow
Yanwei Police District Police Traffic Police Brigade.	5,347,137.00	5,347,137.00	Over 5 years	100.00	Estimated future cash flow
Jinan Mingda Express Co., Ltd.	5,317,850.09	3,190,710.05	3-4 years	60.00	Estimated future cash flow
Jinan Fusheng Energy Co., Ltd.	3,174,452.99	3,174,452.99	4-5years	100.00	Estimated future cash flow
Shandong Yanhua Plastic Industry Co., Ltd	2,995,024.28	2,096,517.00	2-3 years	70.00	Estimated future cash flow
Xinjiang Uygur Autonomous Region Traffic Construction Administration Bureau	2,340,038.62	2,340,038.62	4-5years	100.00	Estimated future cash flow
Agricultural cooperatives in Jiamusi	2,083,598.40	2,083,598.40	3-4years	100.00	Estimated future cash flow
Xubo Road Kaifeng access to LM-6 contract	1,955,780.20	1,955,780.20	Over 5 years	100.00	Estimated future cash flow
Road & bridge construction of green silver high - speed Jinan City Ring North four contract	1,775,218.90	1,775,218.90	Over 5 years	100.00	Estimated future cash flow
Xubo Road Zongjiao Company Third Branch 7 Contract	1,708,578.18	1,708,578.18	Over 5 years	100.00	Estimated future cash flow
China Railway Third Municipal Sixth Company Xujing Road Fifth Contract Section	1,578,159.00	1,578,159.00	Over 5 years	100.00	Estimated future cash flow

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Jinan Guang'an Advertising Media Co., Ltd.	1,540,246.57	770,123.28	2-4years	50.00	Estimated future cash flow
China Railway Second Bureau Green and Silver Round North Line II Contract	1,346,854.59	1,346,854.59	Over 5 years	100.00	Estimated future cash flow
Shandong Jiadefu Industrial Development Co., Ltd.	1,153,767.11	576,883.56	2-4 years	50.00	Estimated future cash flow
Liaocheng Highway Bureau	1,009,620.00	1,009,620.00	Over 5 years	100.00	Estimated future cash flow
Qinglin Railway Command	808,724.17	808,724.17	Over 5 years	100.00	Estimated future cash flow
Qingdao Red Apple Information Communication Co., Ltd.	752,946.32	602,357.06	2-5years	80.00	Estimated future cash flow
Jinan Zhi Yu Culture Media Co., Ltd.	741,098.11	370,549.05	2-5years	50.00	Estimated future cash flow
Qingdao East Decoration Engineering Co., Ltd.	526,077.53	315,646.52	1-4years	60.00	Estimated future cash flow
China Railway Siban Group, Qingyin Expressway, Jinan North Ring Line Six Contract	464,361.24	464,361.24	Over 5 years	100.00	Estimated future cash flow
Liaocheng Runfa Advertising Resources Development Co., Ltd.	450,410.98	270,246.59	3-4years	60.00	Estimated future cash flow
Jigang Machinery Equipment Factory	449,708.79	311,678.58	3-5years	69.31	Estimated future cash flow
Others	2,766,642.47	2,362,089.89		85.38	Estimated future cash flow
Total	100,015,403.70	76,434,063.60			

4. Details of the top 5 debtors with largest closing balances

Name of debtor	Book balance	Proportion(%)	Provision for bad debt
Green Investment International Trade (Shanghai) Co., Ltd.	222,445,546.81	4.02	
. E763 Project Owner	142,099,446.43	2.57	
Guangzhou Daguang Expressway Co., Ltd.	140,309,906.43	2.53	35,142,217.25
Hebei Taiheng Special Steel Co., Ltd.	112,909,877.53	2.04	
Henan Business Group Co., Ltd. Qingdao Branch	102,352,860.40	1.85	37,665,858.13
Total	720,117,637.60	13.01	72,808,075.38

note 5 Prepayments

1. Prepayments are presented in aging combination

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Amount		Amount	Amount	
Within 1 year (including 1 year)	2,675,090,163.12	60.26	9,104.35	2,282,135,898.34	68.76	1,427.94
1 to 2 years (including 2 years)	1,091,458,258.12	24.58	-	359,940,478.54	10.84	13,799,556.37
2 to 3 years (including 3 years)	161,222,984.16	3.63	10,848,350.67	242,395,953.01	7.30	7,714,075.99
Over 3 years	511,913,331.39	11.53	31,727,348.00	434,972,517.20	13.10	21,914,583.79
Total	4,439,684,736.79	100.00	42,584,803.02	3,319,444,847.09	100.00	43,429,644.09

2. Large-amount prepayments with an age of over one year.

Creditor entity	Debtor entity	Closing balance	Age	Reason for failure to settle
Shandong High-speed Sichuan Industrial Development Co., Ltd.	Chengdu Jiahe Investment Co., Ltd.	318,000,000.00	1-2 years	Not settled
Shandong Railway Construction Investment Co., Ltd.	Jinan Gaoxin Holding Group Co., Ltd.	250,000,000.00	1-2 years	Not settled
Shandong Hi-Speed Logistics Group Co., Ltd.	Shandong Energy International Logistics Co., Ltd.	242,800,000.00	Over 3 years	Not settled
Shandong High-speed Logistics Group Co., Ltd.	Beijing Shenhua Changyun high - tech coal blending Co., Ltd	179,280,222.40	Over 2 years	Not settled
Shandong High-speed Weiri Highway Co., Ltd.	China State Construction Engineering Corporation	132,543,223.24	1-2 years	Not settled
Shandong High-speed Weiri Highway Co., Ltd.	China Tiesiju Civil Engineering Group	126,242,418.00	1-2years	Not settled
Shandong High-speed Taidong Highway Co., Ltd.	China Tieshisiju Civil Engineering Group	77,908,055.75	1-2years	Not settled
Shandong Dalai Long Railway Co., Ltd.	Weifang Peking University Science Park Construction Development Co., Ltd.	18,525,000.00	2-3years	Not settled
China Shandong International Economic and Technical Cooperation Corporation	Taizhou Haijian Construction Engineering Co., Ltd.	13,007,443.50	1-2years、 Over 3yeaes	Not settled
Shandong High-speed Ruitong Logistics Co., Ltd.	Changle Shengbao Economic And Trade Co., Ltd.	11,137,489.53	1-2years	Not settled
Total		1,369,443,852.42		

3. Details of the top 5 debtors with largest closing balances.

Name of debtor	Book balance	percentage(%)	Provision for bad debt
Chengdu Jiayu Investment Co., Ltd	427,500,000.00	9.63	
Jinan Gaoxin Holding Group Co., Ltd.	325,809,523.79	7.34	

Name of debtor	Book balance	percentage(%)	Provision for bad debt
Shandong Energy International Logistics Co., Ltd	242,800,000.00	5.47	
Beijing Shenhua Changyun high - tech coal blending Co., Ltd	179,280,222.40	4.04	
China Construction Engineering Co., Ltd.	173,728,307.53	3.91	
Total	1,349,118,053.72	30.39	

note 6 Premiums receivable

Items	Balance at the end of year			
	Book balance	Proportion to total amount (%)	Bad debt reserve percentage(%)	Provision for bad debt
Within 6 months (including 6 months)	43,301,902.71	53.63		
6 months to 1 year (including 1 year)	34,691,447.64	42.97	50.00	17,345,723.82
Over 1 year	2,746,078.17	3.40	100.00	2,746,078.17
Total	80,739,428.52	100.00		20,091,801.99

Continued:

Items	Balance at the beginning of year			
	Book balance	Proportion to total amount (%)	Bad debt reserve percentage (%)	Provision for bad debt
Within 6 months (including 6 months)	61,455,617.73	75.85		
6 months to 1 year (including 1 year)	15,464,427.09	19.09	50.00	7,732,213.55
Over 1 year	4,106,106.55	5.06	100.00	4,106,106.55
Total	81,026,151.37	100.00		11,838,320.10

note 7 Age structure of reinsurance accounts receivable

Items	Balance at the end of year		
	Book balance	Proportion to total amount (%)	Provision for bad debt
Within 6 months (including 6 months)	85,110,481.20	94.15	
6 months to 1 year (including 1 year)	3,887,114.18	4.30	1,943,557.09
Over 1 year	1,397,182.08	1.55	1,397,182.08
Total	90,394,777.46	100.00	3,340,739.17

Continued:

Items	Balance at the beginning of year		
	Book balance	Proportion to total amount (%)	Provision for bad debt
Within 6 months (including 6 months)	45,967,835.23	75.19	
6 months to 1 year (including 1 year)	9,614,961.08	15.73	4,807,480.54
Over 1 year	5,551,806.05	9.08	5,551,806.05
Total	61,134,602.36	100.00	10,359,286.59

note 8 Interest receivable

Items	Closing balance	Opening balance
Margin Interest	84,613,980.98	84,420,336.98
Held to maturity investments	691,533,018.74	506,413,127.88
Save the capital deposit	12,911,250.00	7,622,704.11
Large agreement deposit	343,007.48	5,965,555.64
Loan interest	509,814,385.70	307,591,881.90
Available for sale financial assets	118,109,379.05	137,364,348.68
Other interest	7,184,682.90	2,783,564.22
Entrusted Loan	6,997,641.89	6,350,616.42
Financial assets at fair value through profit or loss	153,000,807.30	131,774,062.52
Bond investment	240,289,796.40	71,286,312.15
Total	1,824,797,950.44	1,261,572,510.50

note 9 Dividends receivable

Items	Closing balance	Opening balance	Reason for failure to collect	Whether the occurrence of impairment and its basis for judgment
Dividends receivable aged within 1 year	129,285,706.03	2,308,689.72		
Including:Shandong Taishan scholar blue industry leading talent equity investment partnership (limited partnership)	7,198.59	2,308,689.72	not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Binzhou Henglan Investment Center (limited partnership)	8,623.71		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shan Gao (Yantai) Lecheng Investment Center (limited partnership)	4,491,007.88		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong High Speed Investment Fund Management Center (Limited Partnership)	202,375.85		not paid yet	It is expected to be recoverable in the short term and no sign of impairment

Items	Closing balance	Opening balance	Reason for failure to collect	Whether the occurrence of impairment and its basis for judgment
Shandong High-speed Investment Fund Management Co., Ltd. Elephant International Project Special Fund	5,737,800.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Shandong High Speed Urbanization Fund Management Center (Limited Partnership)	118,838,700.00		not paid yet	It is expected to be recoverable in the short term and no sign of impairment
Total	129,285,706.03	2,308,689.72		

note 10 Other receivables

Category	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amounts and for which bad debt provision are drawn individually	727,811,075.35	4.98	361,716,558.35	49.70
Other receivables for which bad debt provision are drawn according to combination of credit risk characteristics	13,691,784,632.64	93.79	260,338,839.35	1.90
Other receivables with insignificant single amounts but for which bad debt provision are drawn individually	179,427,834.79	1.23	91,830,791.23	51.18
Total	14,599,023,542.78	100.00	713,886,188.93	

Continued:

Category	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with significant single amounts and for which bad debt provision are drawn individually	299,122,321.22	3.23	256,272,458.20	85.67
Other receivables for which bad debt provision are drawn according to combination of credit risk characteristics	8,860,087,676.31	95.57	222,004,561.22	2.51
Other receivables with insignificant single amounts but for which bad debt provision are drawn individually	111,398,442.43	1.20	28,537,255.46	25.62
Total	9,270,608,439.96	100.00	506,814,274.88	

1. Other receivables with significant single amounts at the end of period and for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Repurchase Weihai access to bad assets	219,715,931.00	219,715,931.00	Over 5 years	100.00	Estimating future cash flow

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
C&HEAVY INDUSTRIES CO.,LTD	30,367,845.02	30,367,845.02	Over 4years	100.00	Estimating future cash flow
Shenzhen Zhongmanli Trading Co., Ltd.	71,928,084.71	21,229,334.71	1-4years	29.51	Estimating future cash flow
Shenzhen Li Tianjun Supply Chain Co., Ltd.	305,533,879.36	38,856,487.36	1-4years	12.72	Estimating future cash flow
Shenzhen Fengchuang Trading Co., Ltd.	100,265,335.26	51,546,960.26	1-4years	51.41	Estimating future cash flow
Total	727,811,075.35	361,716,558.35			

2. Other receivables for which bad debt provision are drawn according to credit risk characteristics combination

(1) Other receivables for which bad debt provision are drawn by adopting aging analysis method

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	1,666,768,603.66	82.04	6,354,218.44	2,064,758,630.49	71.75	3,753,314.33
1 to 2 years (including 2 years)	77,341,983.06	3.81	7,734,198.31	33,246,617.32	1.16	1,492,747.98
2 to 3 years (including 3 years)	17,353,677.41	0.85	5,206,103.22	531,441,601.81	18.47	3,278,701.55
Over 3 years	270,171,460.04	13.30	241,044,319.38	247,823,921.80	8.62	213,479,797.36
Total	2,031,635,724.17	100.00	260,338,839.35	2,877,270,771.42	100.00	222,004,561.22

(2) Other receivables for which bad debt provision are drawn by adopting another combination method

Name of combination	Closing balance			Opening balance		
	Book balance	Percentage (%)	Provision for bad debt	Book balance	Percentage (%)	Provision for bad debt
Related party combination	6,457,564,536.69			2,363,069,270.00		
Combination with no risk upon single test	5,202,584,371.78			3,619,747,634.89		
Total	11,660,148,908.47			5,982,816,904.89		

3. Other receivables with insignificant single amounts at the end of period but for which bad debt provision are drawn individually

Name of debtor	Book balance	Provision for bad debt	Age	Bad debt reserve percentage(%)	Reason for drawing bad debt reserve
Guangzhou Daguang Expressway Co., Ltd.	27,751,798.67	6,950,754.67	1 -4 years	25.05	Estimating future cash flow
Shandong Jinan Investment Company	24,117,684.03	24,117,684.03	Over 5 years	100.00	Estimating future cash flow
Shandong Gaocheng Petroleum Technology Co., Ltd	14,455,495.89	4,336,648.77	2 - 3 years	30.00	Estimating future cash flow
Xinyuan Ted Hotel & Courts	13,906,944.32	13,906,944.32	Over 5 years	100.00	Estimating future cash flow
Yangxin County Longtai Trading Company	9,877,800.00	2,963,340.00	2 - 3 years	30.00	Estimating future cash flow
Shandong Gu'ante Advanced Material Technology Incorporated Co., Ltd.	9,237,034.96	4,618,517.48	3 - 4years	50.00	Estimating future cash flow
Shandong Province Hong Lin Material Co., Ltd.	5,170,000.00	5,170,000.00	Over 5 years	100.00	Estimating future cash flow
IMC SHIP MANAGEMENT (CHINA) CO., LIMITED	4,779,567.35	1,433,870.21	2-3years	30.00	Estimating future cash flow
Copays receivable	12,549,441.24	694,898.66		5.54	Estimating future cash flow
Others	57,582,068.33	27,638,133.09		48.00	Estimating future cash flow
Total	179,427,834.79	91,830,791.23			

4. Details of the top 5 debtors with largest closing balances

Name of debtor	Nature of payment	Book balance	Age	Proportion (%)	Provision for bad debt
Shandong Railway Development Fund Co., Ltd.	Exchanges	3,330,833,550.10	Within 1 year	22.82	
Shandong Provincial Department of Transportation	Highway operating charges	1,265,470,883.47	Within 1 year	8.67	
Shandong Property Rights Exchange Center Co., Ltd.	Transfer of equity	233,024,547.62	Within 1 year	1.60	
Sichuan Hengbang Shuanglin Real Estate Co., Ltd.	Transfer of equity	230,360,060.07	Within 1 year	1.58	
China Railway Company	Transportation costs	206,351,254.28	0-2years	1.41	
Total		5,266,040,295.54		36.08	

note 11 Financial assets acquired for re-sale

Items	Closing balance	Opening balance
Bonds	14,633,130,000.00	17,332,933,000.00
bill		603,995,333.31

Items	Closing balance	Opening balance
Trust and asset management plan	425,000,001.82	2,115,000,001.82
Cash repurchase		40,600,000.00
Less: Bad debt provision		
Total book value	15,058,130,001.82	20,092,528,335.13

note 12 Inventories

1. Category of inventories

Items	Closing balance		
	Book balance	Provision for loss on decline in value	Book value
Raw materials	657,780,108.50	1,773,989.95	656,006,118.55
Self-manufactured semi-finished products and unfinished products	124,849,481.06		124,849,481.06
Goods on hand (finished products)	4,548,596,591.58	70,957,440.30	4,477,639,151.28
Revolving materials (packing materials and low-value consumables)	281,630,377.82		281,630,377.82
Cost of development	11,607,362,596.75		11,607,362,596.75
Engineering construction (Payment has not been made after completion)	5,241,584,968.59	174,759,158.57	5,066,825,810.02
Other	297,446,421.71		297,446,421.71
Total	22,759,250,546.01	247,490,588.82	22,511,759,957.19

Continued:

Items	Opening balance		
	Book balance	Provision for loss on decline in value	Book value
Raw materials	370,084,960.59	1,706,614.32	368,378,346.27
Self-manufactured semi-finished products and unfinished products	44,652,341.15		44,652,341.15
Goods on hand (finished products)	3,911,518,044.49	76,871,601.67	3,834,646,442.82
Revolving materials (packing materials and low-value consumables)	168,116,536.96		168,116,536.96
Cost of development	11,226,403,500.25		11,226,403,500.25
Engineering construction (Payment has not been made after completion)	5,047,816,679.72		5,047,816,679.72
Other	473,566,609.59		473,566,609.59
Total	21,242,158,672.75	78,578,215.99	21,163,580,456.76

2. Completed and unsettled assets resulted from construction contracts at the end of period

Items	Closing balance
Accumulative incurred cost	42,411,757,148.42
Accumulative recognized gross profit	5,149,424,949.52
Less: Estimated loss	174,759,158.57
Settled amount	42,319,597,129.35
Completed and unsettled assets resulted from construction contracts	5,066,825,810.02

note 13 Non-current assets due within one year

Items	Closing balance	Opening balance
Non-current assets due within one year (including entrusted loans)	900,000,000.00	100,000,000.00
BT projects and long - term receivables	301,437,935.52	670,533,940.70
Others	839,105.34	
Total	1,202,277,040.86	770,533,940.70

note 14 Other current liabilities

Items	Closing balance	Opening balance
Receivables investment due within one year	21,400,403,516.32	17,243,985,705.44
Prepaid taxes (Include VAT input tax)	2,906,444,354.39	989,315,908.70
Total	24,306,847,870.71	18,233,301,614.14

note 15 Loans and advances

1. Distribution of loans and advance payments according to individuals and enterprises

Items	Closing balance	Opening balance
(1) Individual loans and advance payments:	11,403,129,601.74	7,695,823,081.61
—Credit cards	23,851,812.14	22,928,237.55
—residential mortgage loan	6,029,686,925.23	4,105,409,761.62
—Personal business loan	4,520,873,696.23	2,997,451,125.18
—Others	828,717,168.14	570,033,957.26
(2) Enterprise loans and advance payments:	54,607,009,294.81	50,565,843,068.93
—Loans	49,732,215,053.96	44,813,597,954.12
—Discount	3,917,797,044.68	4,634,302,545.36
—Trade financing	664,943,815.26	794,431,757.29

Items	Closing balance	Opening balance
—Advances	292,053,380.91	323,510,812.16
(3) Total amount of loans and advance payments	66,010,138,896.55	58,261,666,150.54
Less: Provision for loan loss	1,721,204,926.50	1,500,738,186.64
Including: Single drawn amount	399,039,321.15	316,837,523.70
Combined drawn amount	1,322,165,605.35	1,183,900,662.94
(4) Book value of loans and advance payments	64,288,933,970.05	56,760,927,963.90

2. Distribution of loans and advance payments according to mode of security

Items	Closing balance	Opening balance
Loan on credit	1,795,414,967.35	975,466,827.55
Loan on guarantee	35,477,378,313.13	32,985,003,143.95
Collateral loans	28,737,345,616.07	24,342,562,456.09
Including: Mortgage loans	21,176,975,586.70	17,643,818,956.14
Pledge loans	7,560,370,029.37	6,698,743,499.95
Total amount of loans and advance payments	66,010,138,896.55	58,303,032,427.59
Less: Provision for loan loss	1,721,204,926.50	1,542,104,463.69
Including: Single drawn amount	399,039,321.15	316,837,523.70
Combined drawn amount	1,322,165,605.35	1,225,266,939.99
Book value of loans and advance payments	64,288,933,970.05	56,760,927,963.90

3. Overdue loans

Items	Closing balance				Total
	Overdue for 1 to 90 (inclusive) days	Overdue for 90 to 360 (inclusive) days	Overdue for 360 to 3 (inclusive) years	Overdue for over 3 years	
Loan on credit	466,916.81	650,262.66	1,218,487.94		2,335,667.41
Loan on guarantee	122,054,520.21	411,915,657.20	449,573,294.75	120,892.41	983,664,364.57
Collateral loans	30,830,798.45	19,665,762.33	86,799,861.02	1,800,000.00	139,096,421.80
Including: Mortgage loans	30,830,798.45	19,665,762.33	77,799,861.02	1,800,000.00	130,096,421.80
Pledge loans			9,000,000.00		9,000,000.00
Total	153,352,235.47	432,231,682.19	537,591,643.71	1,920,892.41	1,125,096,453.78

Continued:

Items	Opening balance				
	Overdue for 1 to 90 (inclusive) days	Overdue for 90 to 360 (inclusive) days	Overdue for 360 to 3 (inclusive) years	Overdue for over 3 years	Total
Loan on credit	302,940.74	1,146,913.11	46,814.13		1,496,667.98
Loan on guarantee	580,584,871.58	344,947,708.72	31,440,624.45		956,973,204.75
Collateral loans	71,721,588.51	120,543,068.18	145,753,420.63	1,800,000.00	339,818,077.32
Including: Mortgage loans	71,721,588.51	111,543,068.18	145,753,420.63	1,800,000.00	330,818,077.32
Pledge loans		9,000,000.00			9,000,000.00
Total	652,609,400.83	466,637,690.01	177,240,859.21	1,800,000.00	1,298,287,950.05

4. Provision for loan loss

Items	Amount incurred in current period		Amount incurred in prior period	
	Single	Combined	Single	Combined
Opening balance	316,837,523.70	1,183,900,662.94	266,641,153.28	1,257,678,457.14
Amount drawn in current period	211,067,368.34	120,484,604.16	164,918,368.67	118,162,576.03
Amount transferred out in current period				
Amount written off in current period	128,865,570.89		114,721,998.25	200,810,799.34
Amount reversed in current period		17,780,338.25		8,870,429.11
—Reversal resulted from recovery of originally written off loans and advance payments		17,780,338.25		8,870,429.11
—Reversal resulted from rise in discounted value of loans and advance payments				
—Reversal resulted from other factors				
Closing balance	399,039,321.15	1,322,165,605.35	316,837,523.70	1,183,900,662.94

note 16 Available-for-sale financial assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt instruments	8,695,494,956.18	19,756.00	8,695,475,200.18	13,944,503,541.28		13,944,503,541.28
Available-for-sale equity instruments	61,167,257,696.31	235,845,686.87	60,931,412,009.44	36,207,358,682.10	51,591,630.89	36,155,767,051.21
Including: Instruments measured at fair value	1,103,630,689.20	7,472,462.90	1,096,158,226.30	1,002,865,633.17		1,002,865,633.17
Instruments measured on the basis of cost	60,063,627,007.11	228,373,223.97	59,835,253,783.14	35,204,493,048.93	51,591,630.89	35,152,901,418.04
Other	100,393,403.40	22,460,000.00	77,933,403.40	22,460,000.00	22,460,000.00	

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Total	69,963,146,055.89	258,325,442.87	69,704,820,613.02	50,174,322,223.38	74,051,630.89	50,100,270,592.49

note 17 Held-to-maturity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
1. National bonds	8,221,649,443.93		8,221,649,443.93	6,923,273,499.89		6,923,273,499.89
2. Policy-related bank bonds	20,831,347,870.44		20,831,347,870.44	13,694,224,950.14		13,694,224,950.14
3. Other bonds	12,576,296,005.11		12,576,296,005.11	16,555,494,120.99		16,555,494,120.99
Total	41,629,293,319.48		41,629,293,319.48	37,172,992,571.02		37,172,992,571.02

note 18 Long-term account receivable

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Amount of financial lease	15,609,056,343.91	129,535,924.80	15,479,520,419.11	6,117,701,499.65	55,148,147.97	6,062,553,351.68
Including: Unrealized financing income	1,473,579,240.09	3,014,998.52	1,470,564,241.57	709,274,355.91	1,139,769.27	708,134,586.64
Receivables of BT project	173,046,423.46	525,873.71	172,520,549.75	1,205,715,788.70	5,076,407.50	1,200,639,381.20
Installment sale of labor service	1,026,095,820.36		1,026,095,820.36	1,716,053,627.38		1,716,053,627.38
Other	173,842,219.37		173,842,219.37	41,000,000.00		41,000,000.00
Total	16,982,040,807.10	130,061,798.51	16,851,979,008.59	9,080,470,915.73	60,224,555.47	9,020,246,360.26

note 19 Long-term equity investments

1. Classification of long-term equity investments

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in joint ventures	121,262,472.68	135,383,379.10	3,796,400.00	252,849,451.78
Investment in associated enterprises	6,906,264,727.59	5,542,214,205.95	194,785,081.38	12,253,693,852.16
Sub-total	7,027,527,200.27	5,677,597,585.05	198,581,481.38	12,506,543,303.94
Less: Provision for impairment of long-term equity investments	17,293,880.84	7,800,000.00	-	25,093,880.84
Total	7,010,233,319.43	5,669,797,585.05	198,581,481.38	12,481,449,423.10

2. Details of long-term equity investments

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Total	12,182,451,676.66	7,027,527,200.27	5,431,007,101.22	-50,190,403.79	245,790,483.83	-7,571,843.45		-47,093,574.05	-92,925,660.09	12,506,543,303.5	25,093,880.84
I. Joint ventures	262,072,930.00	121,262,472.68	111,697,930.00		22,885,449.10			-3,796,400.00	800,000.00	252,849,451.78	800,000.00
Henan Zhengxin Railway Co., Ltd.	49,000,000.00	28,114,409.26			-2,558,337.84					25,556,071.42	
Qingdao Ocean Foundation Venture Capital Limited Company	78,075,000.00	67,000,595.36			20,155,766.90					87,156,362.26	
Shandong Ocean Brightstone Industrial Fund Management Co., Ltd.	16,000,000.00	16,141,275.76			-302,013.93					15,839,261.83	
Shandong Blue Economic Industry Fund Management Co., Ltd.	3,000,000.00	6,519,020.77			5,516,772.41			-3,796,400.00		8,239,393.18	
Blue Economic Zone (Qingdao) Industrial Investment Fund Management Co., Ltd.	150,000.00		150,000.00		-14,576.59					135,423.41	
Shandong high speed win - win equity investment management Limited	3,500,000.00	3,487,171.53			1,350,662.32					4,837,833.85	
Kaidi Corporation	800,000.00								800,000.00	800,000.00	800,000.00

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Jiangxi Lugao Construction Project Management Co., Ltd.	98,247,930.00		98,247,930.00		-1,188,053.57					97,059,876.43	
Shandong High-speed Tonghui Fuzun Equity Investment Fund Management Co., Ltd.	8,000,000.00		8,000,000.00		-92,863.46					7,907,136.54	
Shandong High-speed Rongding Equity Investment Fund Management (Chengdu) Co., Ltd.	5,300,000.00		5,300,000.00		18,092.86					5,318,092.86	
II. Associated enterprises	11,920,378,746.66	6,906,264,727.59	5,319,309,171.22	-50,190,403.79	222,905,034.73	-7,571,843.45		-43,297,174.05	-93,725,660.09	12,253,693,852.16	24,293,880.84
Shandong Blue Economic Asset Management Co., Ltd.	45,000,000.00	49,209,600.40			4,743,766.91					53,953,367.31	
Beijing Ocean Cornerstone Venture Investment Management Co., Ltd.	2,250,000.00	1,632,361.65			33,626.88					1,665,988.53	
Jinan Blue Leading Investment Co., Ltd.	300,000.00	251,662.93			1,037.77					252,700.70	
Shandong Blue Zhiku Investment Co., Ltd.	504,600.00	429,449.31			-33,773.44					395,675.87	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Shandong Henglan Capital Investment Management Co., Ltd.	2,400,000.00	2,396,454.22			8,134.52					2,404,588.74	
Shandong Zhongwang Yinxin Investment Management Co., Ltd	3,000,000.00	1,715,183.72	1,714,200.00		286,064.36					3,715,448.08	
Shandong Blue Economic Finance Guarantee Co., Ltd	75,000,000.00	75,033,071.74			6,753,483.05					81,786,554.79	
Shandong Yinghai Investment Co., Ltd	2,000,000.00	2,100,124.68			81,938.74					2,182,063.42	
Zhuhai Hengqin Lankun Ocean Capital management partnership (limited partnership)	1,000,000.00	1,000,000.00		-1,000,000.00	-					-	
Jinan Yinghai equity investment fund management Co., Ltd.	2,000,000.00	2,000,000.00			-57,487.97					1,942,512.03	
Shandong Haitai Driver Training Co., Ltd.	2,000,000.00	1,075,113.84			-366,181.37					708,932.47	
Shandong Ocean Tianshen Property Management Co., Ltd.	330,000.00		330,000.00		-276,852.77					53,147.23	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Qingdao Zhenghai Offshore Drilling Management Co., Ltd.	245,000.00	243,688.13			-411.42					243,276.71	
Shandong Offshore Equipment Institute Co., Ltd.	1,000,000.00	999,669.51			-26,190.47					973,479.04	
Shandong Yancoal Rizhao Port Coal Storage & Blending Co., Ltd	60,000,000.00	59,337,594.22		-39,190,403.79	-20,147,190.43					-	
HYUNDAI FAREAST Co., LTD	19,147,750.00	15,965,142.95			91,506.82					16,056,649.77	
Qingdao Haifa Equity Investment Management Co., Ltd	300,000.00	300,000.00			361,011.74					661,011.74	
Shandong Ocean Development Co., Ltd	250,000,000.00	247,304,917.79			-1,945,428.88					245,359,488.91	
Qingdao taste life business Limited	2,400,000.00	1,572,041.23			-796,642.28					775,398.95	
Shandong Offshore Investment (HK) Co., LTD	23,585,800.00	23,585,800.00			2,284,996.90					25,870,796.90	
Shandong Environmental Protection Industry Co., Ltd. ("Shandong Environmental Protection")	5,222,811.37	5,434,000.79			1,900,316.21					7,334,317.00	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Dongxing Securities Co., Ltd.	2,256,999,993.27	2,271,233,193.27			56,517,421.35	-7,571,843.45		-17,998,405.05		2,302,180,366.12	
Qingdao Changying Jinpeng equity investment partnership (limited partnership)	144,000,000.00	144,000,000.00	320,300,000.00							464,300,000.00	
Fujian Longma Sanitation Equipment Co., Ltd.	399,999,971.22		399,999,971.22		1,085,222.33					401,085,193.55	
Shandong Railway Development Fund Co., Ltd	5,000,000,000.00	1,999,981,525.84	3,000,000,000.00		925,512.31					5,000,907,038.15	
Shandong Jinse Agriculture Development Co., Ltd.	1,500,000.00	1,145,919.90			-174,566.03					971,353.87	
Shandong High-speed Road&Bridge International Engineering Co., Ltd.	16,500,000.00		16,500,000.00		21,709.45					16,521,709.45	
Shandong Jizou Road Co., Ltd.	33,771,355.78	18,700,707.44			-3,939,357.06					14,761,350.38	
Shandong High speed Investment Fund Management Co., Ltd	9,800,000.00	25,922,366.10			3,842,625.91			-12,248,769.00		17,516,223.01	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Nanjing Maria Mongolian Culture Development Co., Ltd	1,860,000.00	1,860,000.00								1,860,000.00	
Airport Synergy Investment Holding Co., Ltd	4,270,434.94				19,465,689.14					19,465,689.14	
China Overseas Finance Leasing (Cayman) Limited	15,633,285.00	10,492,331.77								10,492,331.77	
Shandong High-speed Bohai (Tianjin) Equity Investment Fund Management Co., Ltd.	9,000,000.00		9,000,000.00		4,349,593.75					13,349,593.75	
Shandong High-speed Beiyin (Shanghai) Equity Investment Fund Management Co., Ltd.	4,000,000.00		4,000,000.00		-26,914.65					3,973,085.35	
Shandong High-speed Songxin (Tianjin) Investment Management Co., Ltd.	4,000,000.00		4,000,000.00		121,392.88					4,121,392.88	
Hubei Wudang Mountain Tourism Co., Ltd.	404,414,500.00	92,863,421.00	300,000,000.00		-7,831,222.20					385,032,198.80	

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Qingdao Port High-speed Logistics (Linyi) Co., Ltd.	4,100,000.00	3,949,188.04			166,522.96					4,115,711.00	
Shandong High Speed Ovid Junshan Auto Supply Chain Management Co., Ltd.	9,600,000.00		9,600,000.00		181,808.73				-171,491.15	9,610,317.58	
Weifang Port Service Co., Ltd.	250,000,000.00	250,023,231.15			-743.65					250,022,487.50	
Manyi Network Technology Co., Ltd.	15,600,000.00	14,294,470.63			-5,638,235.44					8,656,235.19	
Shandong Hi-Speed Xinye Urban Equity Development Investment Co., Ltd.	4,500,000.00	19,024,937.68			17,105,800.00			-13,050,000.00		23,080,737.68	
Inner Mongolia Luqiao Property Co., Ltd.	93,111,576.43	38,339,939.94			64,577,638.06					102,917,578.00	
China Innovative Finance Co., Ltd.	2,705,737,787.81	1,495,553,736.88	1,253,865,000.00		79,259,412.02				-100,554,168.94	2,728,123,979.96	
Qingdao Qilu Construction Group Corporation	10,000,000.00	10,000,000.00								10,000,000.00	10,000,000.00
Qilu Construction Group Shandong Shengying Building Co., Ltd.	800,000.00	800,000.00								800,000.00	800,000.00

Investee entity	Investment cost	Beginning balance	Increase or decrease in current period							Closing balance	Closing balance of the provision for impairment
			Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity change	Dividends or profits declared to be paid	Drawn provision for impairment		
Qilu Construction Group Corporation Design Institute	500,000.00	500,000.00								500,000.00	500,000.00
Qilu Construction Group Industrial Development Corporation	500,000.00	500,000.00								500,000.00	500,000.00
Han PRK Center	162,000.00	162,000.00								162,000.00	162,000.00
Xi'an PRK Center	1,612,000.00	1,612,000.00								1,612,000.00	1,612,000.00
Shenyang PRK Center	1,982,156.28	1,982,156.28								1,982,156.28	1,982,156.28
Harbin PRK Center	1,737,724.56	1,737,724.56								1,737,724.56	1,737,724.56
Zhangjiu Leather Co., Ltd.	4,000,000.00									4,000,000.00	4,000,000.00
Rundi Real Estate Company	2,000,000.00									2,000,000.00	2,000,000.00
Dezhou High-tech Green Agriculture Demonstration Park	1,000,000.00									1,000,000.00	1,000,000.00
Yunnan Lu Xin Construction Development Co., Ltd	10,000,000.00	10,000,000.00		-10,000,000.00						-	-

3. Summary of insignificant joint ventures and associated enterprises

Items	Ending amount	Beginning amount
Joint ventures:		
Total of book value of investment	252,049,451.78	121,262,472.68
Total amount of the following Items calculated according to shareholding proportion		
Net profits	22,885,449.10	3,459,030.94
Other comprehensive income		
Total comprehensive income	22,885,449.10	3,459,030.94
Associated enterprises:		
Total of book value of investment	12,229,399,971.32	6,888,970,846.75
Total amount of the following Items calculated according to shareholding proportion		
Net profits	222,905,034.73	100,009,143.55
Other comprehensive income	-7,571,843.45	-
Total comprehensive income	215,333,191.28	100,009,143.55

note 20 Investment properties

1. Investment properties measured on the basis of cost

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Total original book value	1,064,839,900.37	981,337,686.56	908,823.69	2,045,268,763.24
1. Houses and buildings	1,064,839,900.37	950,211,807.56	908,823.69	2,014,142,884.24
2. Land use right		31,125,879.00	-	31,125,879.00
II. Total amount of accumulated depreciation/amortization	159,722,857.95	64,884,372.79	194,093.48	224,413,137.26
1. Houses and buildings	159,722,857.95	64,261,855.21	194,093.48	223,790,619.68
2. Land use right		622,517.58	-	622,517.58
III. Total net book value	905,117,042.42			1,820,855,625.98
1. Houses and buildings	905,117,042.42			1,790,352,264.56
2. Land use right				30,503,361.42
IV. Total provision for impairment	5,680,462.77			5,680,462.77
1. Houses and buildings	5,680,462.77			5,680,462.77
2. Land use right				-
V. Total book value	899,436,579.65			1,815,175,163.21

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Houses and buildings	899,436,579.65			1,784,671,801.79
2. Land use right				30,503,361.42

note 21 Fixed assets

1. Fixed assets

Items	Opening balance	Increase	Decrease	Closing balance
1. Total original book value	57,489,817,502.14	9,529,818,258.75	3,896,883,911.56	63,122,751,849.33
Including: Land assets	36,120,499,291.25	2,331,712,266.06	2,387,939,005.67	36,064,272,551.64
Houses and buildings	6,898,973,638.12	687,180,702.86	562,109,627.66	7,024,044,713.32
Machinery equipment	2,270,735,692.80	272,204,464.63	140,959,213.69	2,401,980,943.74
Transportation facilities	9,498,152,298.43	1,082,448,183.21	102,220,000.68	10,478,380,480.96
Electronic equipment	1,715,066,744.95	178,177,604.75	114,628,153.34	1,778,616,196.36
Office equipment	195,809,174.10	11,019,571.29	13,392,321.95	193,436,423.44
Hotel furniture	39,027,314.47	986,493.59	860,876.40	39,152,931.66
Other	751,553,348.02	4,966,088,972.36	574,774,712.17	5,142,867,608.21
2. Total accumulated depreciation	20,516,327,048.12	2,616,965,928.28	2,086,536,323.47	21,046,756,652.93
Including: Land assets	14,518,571,418.03	1,596,190,042.14	1,674,785,346.67	14,439,976,113.50
Houses and buildings	1,520,307,527.94	238,719,535.66	134,784,819.28	1,624,242,244.32
Machinery equipment	1,240,757,184.36	255,411,598.81	93,018,759.10	1,403,150,024.07
Transportation facilities	1,414,151,815.97	312,316,332.76	43,150,016.68	1,683,318,132.05
Electronic equipment	1,032,648,493.94	160,630,865.19	104,303,606.35	1,088,975,752.78
Office equipment	138,504,285.03	10,338,668.85	13,342,082.78	135,500,871.10
Hotel furniture	30,794,291.93	2,116,725.72	798,022.88	32,112,994.77
Other	620,592,030.92	41,242,159.15	22,353,669.73	639,480,520.34
3. Total net book value	36,973,490,454.02			42,075,995,196.40
Including: Land assets	21,601,927,873.22			21,624,296,438.14
Houses and buildings	5,378,666,110.18			5,399,802,469.00
Machinery equipment	1,029,978,508.44			998,830,919.67
Transportation facilities	8,084,000,482.46			8,795,062,348.91
Electronic equipment	682,418,251.01			689,640,443.58
Office equipment	57,304,889.07			57,935,552.34
Hotel furniture	8,233,022.54			7,039,936.89
Other	130,961,317.10			4,503,387,087.87

Items	Opening balance	Increase	Decrease	Closing balance
4. Total provision for impairment	31,951,084.72	-	1,630,193.09	30,320,891.63
Including: Land assets	4,666,413.95	-	-	4,666,413.95
Houses and buildings	9,483,561.81	-	641,446.66	8,842,115.15
Machinery equipment	4,975,349.04	-	975,310.22	4,000,038.82
Transportation facilities	3,871,755.59	-	-	3,871,755.59
Electronic equipment	1,154,024.43	-	11,275.51	1,142,748.92
Office equipment	17,928.24	-	1,672.80	16,255.44
Hotel furniture	10,472.41	-	-	10,472.41
Other	7,771,579.25	-	487.90	7,771,091.35
5. Total book value	36,941,539,369.30			42,045,674,304.77
Including: Land assets	21,597,261,459.27			21,619,630,024.19
Houses and buildings	5,369,182,548.37			5,390,960,353.85
Machinery equipment	1,025,003,159.40			994,830,880.85
Transportation facilities	8,080,128,726.87			8,791,190,593.32
Electronic equipment	681,264,226.58			688,497,694.66
Office equipment	57,286,960.83			57,919,296.90
Hotel furniture	8,222,550.13			7,029,464.48
Other	123,189,737.85			4,495,615,996.52

2. Temporarily idle fixed assets

Items	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Including: Land assets					
Houses and buildings	1,149,335.10	365,250.64	320,654.83	463,429.63	
Machinery equipment	77,158,351.78	67,630,434.77	1,382,370.22	8,145,546.79	
Transportation facilities	49,682,481.00	47,178,614.25	3,175.00	2,500,691.75	
Electronic equipment	3,876,208.44	3,244,076.98	41,411.75	590,719.71	
Office equipment	653,525.60	557,868.65	15,295.94	80,361.01	
Other	295,172.00	280,472.00	14,700.00	-	
Total	132,815,073.92	119,256,717.29	1,777,607.74	11,780,748.89	

3. Fixed assets to which a certificate of title has not been obtained at the end of period

Items	Book value	Reasons why the certificate of title has not been obtained
Houses and buildings	434,853,069.89	In progress

note 22 Construction in progress

1. Details of construction in progress are as follows

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
The Jinan Qingdao high - speed railway construction	37,919,786,928.14		37,919,786,928.14	21,125,810,608.46		21,125,810,608.46
Jiqing high – speed project: reconstruction and expansion project	7,681,087,365.54		7,681,087,365.54	3,470,214,311.49		3,470,214,311.49
Qufu to Linyi Section--High Speed Rail	5,900,134,292.58		5,900,134,292.58	93,963,867.08		93,963,867.08
Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section	5,008,260,773.82		5,008,260,773.82	2,910,764,921.70		2,910,764,921.70
Taidong highway	3,177,252,448.59		3,177,252,448.59	1,489,583,076.04		1,489,583,076.04
Shandong high - speed Penglai, West coast,Cultural tourism industry gathering area,Regional construction sea project	3,021,378,572.23		3,021,378,572.23	2,564,800,763.33		2,564,800,763.33
Cultural Center Hotel Project	2,533,624,728.46		2,533,624,728.46	2,622,703,290.77		2,622,703,290.77
Lonkou to Laixi project	1,910,810,966.72		1,910,810,966.72	1,027,335,653.60		1,027,335,653.60
Leshan to Zigong Expressway	1,508,040,658.02		1,508,040,658.02			
Beijing-Shanghai high – speed line, Jinan connection project				1,939,101,930.48		1,939,101,930.48
Shandong high - speed Weiri Highway Binhai Line Project				1,652,473,034.06		1,652,473,034.06
Jinan Ring Expressway, Jinan high-speed connection project				1,026,215,880.35		1,026,215,880.35
Other	4,116,782,139.22	11,067,012.51	4,105,715,126.71	8,021,342,559.93	3,901,250.96	8,017,441,308.97
Total	72,777,158,873.32	11,067,012.51	72,766,091,860.81	47,944,309,897.29	3,901,250.96	47,940,408,646.33

2. Changes in significant construction in progress

Items name	Budget amount	Opening balance	Increase in current period	Transferred to fixed assets	Other deductions	Closing balance
1. Jiqing high – speed railway construction	59,980,000,000.00	21,125,810,608.46	16,793,976,319.68			37,919,786,928.14
2. Jiqing high – speed project: reconstruction and extension	30,000,000,000.00	3,470,214,311.49	4,210,873,054.05			7,681,087,365.54

Items name	Budget amount	Opening balance	Increase in current period	Transferred to fixed assets	Other deductions	Closing balance
3.Qufu to Linyi Section--High Speed Rail	19,291,000,000.00	93,963,867.08	5,806,170,425.50			5,900,134,292.58
4. Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section	11,366,949,043.00	2,910,764,921.70	2,097,495,852.12			5,008,260,773.82
5.Taidong highway	8,774,000,000.00	1,489,583,076.04	1,687,669,372.55			3,177,252,448.59
6. Shandong high – speed Penglai west coast, cultural tourism industry gathering area, regional construction project	6,379,000,000.00	2,564,800,763.33	456,577,808.90			3,021,378,572.23
7. Cultural center hotel project	3,645,000,000.00	2,622,703,290.77			89,078,562.31	2,533,624,728.46
8. Longkou to Laixi project	4,742,981,807.00	1,027,335,653.60	883,475,313.12			1,910,810,966.72
9.Leshan to Zigong Expressway	8,743,618,184.00	744,135,724.33	1,007,691,198.07	243,786,264.38		1,508,040,658.02
10. Jinan Ring Expressway, Jinan high-speed connection project	2,753,130,000.00	1,026,215,880.35	1,043,609,213.70	889,909,998.53	1,179,915,095.52	
11. Beijing-Shanghai high – speed line, Jinan connection project	4,483,167,406.00	1,939,101,930.48	1,474,470,684.17	3,413,572,614.65		
12.Shandong high - speed Weiri Highway Binhai Line Project	2,761,702,045.00	1,652,473,034.06	359,296,274.07	2,011,769,308.13		
Total	162,920,548,485.00	40,667,103,061.69	35,821,305,515.93	6,559,038,185.69	1,268,993,657.83	68,660,376,734.10

Continued:

Items name	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: Amount of interest capitalized in current period	Rate of interest capitalized in current period (%)	Source of funds
1. Jiqing high – speed railway construction	63.22	63.22				Self-raised
2. Jiqing high – speed project: reconstruction and extension	25.60	25.60	49,871,844.19	37,679,756.85	1.20	Self-raised and Borrowing
3.Qufu to Linyi Section--High Speed Rail	30.58	30.58				Self-raised
4. Rongwu national expressway , Weifang to Rizhao line, Weicheng to Rizhao section	44.06	44.06	119,378,483.98	88,398,137.40	1.45	Self-raised and Borrowing
5.Taidong highway	36.21	36.21	44,380,360.82	30,517,225.34	2.03	Self-raised and Borrowing

Items name	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: Amount of interest capitalized in current period	Rate of interest capitalized in current period (%)	Source of funds
6. Shandong high – speed Penglai west coast, cultural tourism industry gathering area, regional construction project	47.36	47.36	362,664,477.13	362,664,477.13	4.45	Self-raised and Borrowing
7. Cultural center hotel project	69.51	70.00	318,916,008.09		4.50	Borrowing
8. Lonkou to Laixi project	40.29	40.29	20,473,837.69	19,277,171.02	4.41	Self-raised and Borrowing
9. Leshan to Zigong Expressway	17.25	17.25	626,050,240.93	58,492,400.64	4.41	Self-raised and Borrowing
10. Jinan Ring Expressway, Jinan high-speed connection project	37.27	37.27				Self-raised and Borrowing
11. Beijing-Shanghai high – speed line, Jinan connection project						Self-raised and Borrowing
12. Shandong high - speed Weiri Highway Binhai Line Project						Self-raised and Borrowing
Total			1,541,735,252.83	597,029,168.38		

note 23 Construction materials

Items	Closing balance	Opening balance
Materials for construction	1,233,969.55	1,172,644.74
Total	1,233,969.55	1,172,644.74

note 24 Disposal of fixed assets

Items	Book value at the end of period	Book value at the beginning of period	Reasons for transfer into liquidation
Transportation facilities		5,005.00	Disposal of assets
Machinery equipment	157,511.38	122,733.98	Disposal of assets
Other	25,000.00	4,295.50	Disposal of assets
Total	182,511.38	132,034.48	

note 25 Productive biological assets

1. Productive biological assets measured on the basis of cost

Category	Book value at the beginning of year	Increase in current period	Decrease in current period	Book value at the end of year
1. Crop and plant cultivation	290,315.25	141,240.65	29,157.60	402,398.30

Category	Book value at the beginning of year	Increase in current period	Decrease in current period	Book value at the end of year
Including: Honeysuckle	290,315.25		29,157.60	261,157.65
Immature biological assets - fruit trees		141,240.65		141,240.65
2. Livestock cultivation	23,190,442.08	18,171,082.21	12,936,311.32	28,425,212.97
Including: Dairy cattle	23,190,442.08	18,171,082.21	12,936,311.32	28,425,212.97
3. Forestry	47,093.00		47,093.00	
Including: Trees of economic value	47,093.00		47,093.00	
Total	23,527,850.33	18,312,322.86	13,012,561.92	28,827,611.27

2. The Company's productive biological assets mainly from the subsidiary of Shandong high-speed bio-engineering Co., Ltd., the supplementary disclosure information is as follows::

(1) Animal husbandry: Productive biological assets are measured by cost method and depreciated by straight line method, Animal husbandry industry is all self-produced dairy cattle. The dairy cattle are expected to have a life expectancy of 5 years and the estimated net residual rate is 5.00%. As of December 31, 2017, the company has 881 mature dairy cattle, 721 immature cows. The original value of the productive biological assets was RMB 33,761,227.24 and the accumulated depreciation was RMB 5,336,014.27 and the net value was RMB 28,425,212.97

(2) Crop and plant cultivation

As for the crop and plant cultivation, the productive biological assets are fruit seedlings planted in May, 2013. The details are as follows:

Name	Quantity	Amount	Remark
Apple	500	27,322.28	
Cherry	1785	59,918.92	
Pear	1600	22,467.66	
Grape	1500	27,113.58	
Peach	200	4,418.21	
Total		141,240.65	

note 26 Intangible assets

Items	Opening balance	Increase	Decrease	Closing balance
I. Total original value	77,830,251,475.35	4,473,108,588.38	239,719,585.09	82,063,640,478.64
Including: Software	213,464,903.01	75,778,898.79	15,121,778.92	274,122,022.88

Items	Opening balance	Increase	Decrease	Closing balance
Land use right	15,992,274,171.33	3,541,840,045.91	114,822,979.87	19,419,291,237.37
Patent right	7,624,090.93	4,782,217.63		12,406,308.56
Non-patented technology		19,195,214.50		19,195,214.50
Trademark right	5,390.67		2,524.27	2,866.40
Copyright	6,106,096.91	40,880,000.00		46,986,096.91
Chartered right	61,207,940,897.41	756,213,028.23	109,770,026.30	61,854,383,899.34
Other	402,835,925.09	34,419,183.32	2,275.73	437,252,832.68
II. Total amount of accumulated amortization	13,022,481,809.83	1,737,824,485.58	16,209,583.95	14,744,096,711.46
Including: Software	117,200,430.33	37,184,471.70	2,841,869.81	151,543,032.22
Land use right	2,896,289,091.13	451,833,749.70	12,935,967.36	3,335,186,873.47
Patent right	4,553,947.55	1,516,101.16		6,070,048.71
Non-patented technology				
Trademark right	2,866.40			2,866.40
Copyright	2,303,578.77	16,102,737.71		18,406,316.48
Chartered right	9,976,210,384.88	1,222,184,563.68	426,946.78	11,197,968,001.78
Other	25,921,510.77	9,002,861.63	4,800.00	34,919,572.40
III. Total amount of provision for impairment	97,357,072.29	25,340,596.74		122,697,669.03
Including: Software	8,372.29			8,372.29
Land use right				
Patent right				
Non-patented technology				
Trademark right				
Copyright				
Chartered right				
Other	97,348,700.00	25,340,596.74	-	122,689,296.74
IV. Total book value	64,710,412,593.23			67,196,846,098.15
Including: Software	96,256,100.39			122,570,618.37
Land use right	13,095,985,080.20			16,084,104,363.90
Patent right	3,070,143.38			6,336,259.85
Non-patented technology				19,195,214.50
Trademark right	2,524.27			2,524.27
Copyright	3,802,518.14			28,579,780.43

Items	Opening balance	Increase	Decrease	Closing balance
Chartered right	51,231,730,512.53			50,656,415,897.56
Other	279,565,714.32			279,641,439.27

note 27 Development expenditure

Items	Opening balance	Increase		Decrease			Closing balance
		Internal R & D expenditure	Other	Recognized as intangible assets	Transferred to the current profits and losses	Other	
High-speed railway CRTSIII type plate less track plate		65,180,430.44			65,180,430.44		
Internet aggregation payment platform		17,231,443.55			17,231,443.55		
Comprehensive Construction Technology of Karst Cave Treatment in Construction of Super-long Pile Foundation in Karst Area		15,953,417.00			15,953,417.00		
Integral Lifting Technology for Reinforced Skeleton of Cast-in-place Box Beam		14,649,657.71			14,649,657.71		
Key Techniques for Installation and Construction of Steel-concrete Composite Beams		11,643,082.84			11,643,082.84		
Study and Application of Construction Technology for Super Large Section Tunnel Portal Section of Urban Expressway		7,310,000.00			7,310,000.00		
Study and Application of Construction Risk Management and Control for Urban Expressway Super Large Section Tunnel		6,950,000.00			6,950,000.00		
Research and Application of Comprehensive Advanced Geological Forecasting System in Construction of Super Large Section Tunnel		5,925,000.00			5,925,000.00		

Items	Opening balance	Increase		Decrease			Closing balance
		Internal R & D expenditure	Other	Recognized as intangible assets	Transferred to the current profits and losses	Other	
Research and Application of Rapid Construction Technology for Drilling and Blasting of Super Large Section Highway Tunnel		5,749,405.80			5,749,405.80		
Large section tunnel adaptive green construction supporting equipment		5,521,006.23			5,521,006.23		
Pile foundation construction		5,019,274.24			5,019,274.24		
Railway Safety Management Centralized Dispatching Command System		4,933,697.83			4,933,697.83		
Traffic Engineering Construction, Enterprise project cost management and enterprise quota system based on Internet	743,800.00	4,483,903.49			3,655,462.46		1,572,241.03
Railway Wagon Intelligent Monitoring System		3,731,643.66			3,731,643.66		
Internet aggregation payment platform	890,566.01	3,490,880.06					4,381,446.07
Crack-resisting Construction Technology for Wet Joints of Main Bridge Steel-concrete Composite Beam Bridge		2,843,924.90			2,843,924.90		
Non-rail-changing ordinary lines upgraded to seamless lines		1,728,430.86			1,728,430.86		
Highway Maintenance Control Platform Based on Big Data Technology		1,250,757.15			1,250,757.15		
Development of Short Type III Bridge Pillow		1,228,041.30			1,228,041.30		

Items	Opening balance	Increase		Decrease			Closing balance
		Internal R & D expenditure	Other	Recognized as intangible assets	Transferred to the current profits and losses	Other	
Freeway travel service system based on mobile internet technology		1,017,023.83			1,017,023.83		
Study on Road Performance and Complete Application Technology of DHT Soil Consolidation		995,909.46			995,909.46		
Development of Intelligent Information Platform for Railway Transportation Production		823,737.75			823,737.75		
Expressway Expert Decision Support System Based on Knowledge Base Technology		632,364.88			632,364.88		
Shunting wireless video guidance system		585,505.44			585,505.44		
System network	95,000.00	45,000.00					140,000.00
An Open Intelligent Transportation Service Platform Based on Multi-source Information Fusion	34,381,585.60			34,381,585.60			
Others		31,428,339.69			31,428,339.69		
Total	36,110,951.61	220,351,878.11		34,381,585.60	215,987,557.02		6,093,687.10

note 28 Goodwill

1. Book value of goodwill

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Laizhou City Beilai Highway Investment Co., Ltd.	72,080,000.00			72,080,000.00
Qingdao Jiaye Asset Management Co., Ltd	175,848,211.46			175,848,211.46
Shandong high speed Henan Xubo Highway Co., Ltd.	104,000,000.00			104,000,000.00
Shandong high - speed Qingchuan natural asphalt development Co., Ltd.	19,859,115.00			19,859,115.00
Zhangqiu Shijiulang Stone Co., Ltd.	2,259,447.92			2,259,447.92

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Shandong Shipping Development Co., Ltd	44,494,025.14			44,494,025.14
Shandong Shuangli Electronic Engineering Co., Ltd.		27,101,921.56		27,101,921.56
Xilinhote Ludi Mining Co., Ltd				
Henan Zhongzhou Railway Co., Ltd.	5,200,426.14			5,200,426.14
Shandong high - speed letter of the payment Co., Ltd	5,645,277.90			5,645,277.90
Yunnan Suomeng high - speed Co., Ltd.	52,800,530.06			52,800,530.06
Shandong high - speed basketball club Co., Ltd				
Hubei Wujing Freeway Development Co., Ltd	365,812,202.91			365,812,202.91
Baoxing Guosheng Mining Co., Ltd	7,796,358.27			7,796,358.27
Kunming New Airport Expressway Construction and Development Co., Ltd	171,592,625.63	25,960,887.00		171,592,625.63
Total	1,027,388,220.43	53,062,808.56		1,080,451,028.99

2. Impairment of goodwill

Name of investee entity or the formation of goodwill	Opening balance	Increase	Decrease	Closing balance
Xilinhote Ludi Mining Co., Ltd	31,417,703.00			31,417,703.00
Shandong high - speed basketball club Co., Ltd	160,478.69			160,478.69
Total	31,578,181.69			31,578,181.69

note 29 Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortization for the period	Other reductions	Closing balance	Reasons for other reductions
Linza Road	24,809,866.14		24,809,866.14		-	
Lezi Road	53,566,666.68		26,783,333.34		26,783,333.34	
Yantai Road	11,720,965.51		11,720,965.51		-	
Suomeng high speed	10,192,909.54		5,824,519.74		4,368,389.80	
Renovation costs	10,083,285.58	11,525,841.60	6,118,305.62		15,490,821.56	
Rental fees	39,567,696.15	62,701,952.69	40,716,638.85	525,512.71	61,027,497.28	rearrange
Maintenance fees	74,711,100.49	45,175,150.53	80,101,451.96		39,784,799.06	
Improvement of operating fixed assets	119,854,811.86	18,838,165.51	21,060,065.43		117,632,911.94	

Items	Opening balance	Increase in the period	Amortization for the period	Other reductions	Closing balance	Reasons for other reductions
service charge fees	25,608,662.75	49,959,261.57	34,330,920.88		41,237,003.44	
Jiaozhou Bay Expressway Project	341,200,605.81	11,145,646.46	60,363,352.15		291,982,900.12	
Chicken Stone Building Repair costs	189,628,263.62	973,771.83	24,850,328.83		165,751,706.62	
Temporary facilities	46,648,215.60	54,977,951.56	33,704,710.93		67,921,456.23	
Guosheng mine road	25,801,388.52		78,338.34		25,723,050.18	
others	55,542,175.88	53,578,765.69	14,999,851.55	1,751,518.74	92,369,571.28	rearrange
Total	1,028,936,614.13	308,876,507.44	385,462,649.27	2,277,031.45	950,073,440.85	

note 30 Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities are not presented with the net amount after offset

Items	Closing balance		Opening balance	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
I. Deferred tax assets	1,943,528,098.00	7,774,112,391.95	1,251,889,975.50	5,007,559,902.00
Provision for asset impairment	534,298,748.05	2,137,194,992.20	411,427,057.50	1,645,708,230.00
Deductible losses	29,593,503.70	118,374,014.80	27,831,127.34	111,324,509.36
Payroll payable	142,917,491.98	571,669,967.88	152,859,232.88	611,436,931.51
Estimated gross profits of real estate enterprises	3,996,548.90	15,986,195.59	7,828,752.89	31,315,011.56
Depreciation and amortization of long-term assets	33,328,194.26	133,312,777.04	13,999,261.27	55,997,045.08
Internally unrealized profits	1,014,671,924.84	4,058,687,699.36	522,914,010.87	2,091,656,043.48
Other	184,721,686.27	738,886,745.08	115,030,532.75	460,122,131.01
II. Deferred tax liabilities	835,609,065.07	3,342,436,260.31	787,207,236.92	3,148,828,947.70
Appraised value of transactional financial instruments and derivative financial derivative financial assets	3,935,001.82	15,740,007.30	29,744,441.20	118,977,764.79
Change of fair value of available-for-sale financial assets included into other comprehensive income	195,302.65	781,210.61	16,962,544.61	67,850,178.47

Items	Closing balance		Opening balance	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
Difference between accounting depreciation period and depreciation period stipulated in tax law	63,552,486.98	254,209,947.92	25,264,258.34	101,057,033.36
Asset evaluation increment	746,461,522.25	2,985,846,089.00	715,235,992.77	2,860,943,971.08
Structured subject interest	19,007,043.68	76,028,174.72		
Others	2,457,707.69	9,830,830.76		

2. Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	486,507,257.88	354,551,117.54
Deductible losses	2,322,329,993.05	2,453,464,550.21
Total	2,808,837,250.93	2,808,015,667.75

3. The deductible loss of unrecognized deferred tax assets will expire in the following years.

Year	Closing balance	Opening balance	Remark
2017		493,643,673.61	
2018	420,691,964.56	519,738,072.71	
2019	446,015,649.81	530,516,704.39	
2020	436,973,348.12	398,269,699.39	
2021	419,261,557.72	511,296,400.11	
2022	582,995,562.62		
Total	2,305,938,082.83	2,453,464,550.21	

note 31 Other non-current assets

Items	Closing balance	Opening balance
Debt assets	115,983,126.00	11,560,731.11
Circulation right for equity trading	254,160,771.26	254,160,771.26
Fixed-term deposit	72,216,280.00	221,504,700.01
Guarantee deposits for refundable capital	406,000,000.00	407,000,000.00
Receivables investment due after one year	19,147,483,183.33	10,575,131,374.21
Unrealized gains and losses on leaseback	361,651,497.87	262,192,446.68
Integrated of houses and prefabricated houses		48,968,564.57

Items	Closing balance	Opening balance
Prepayments of long-term assets	2,001,085,507.40	1,113,708,077.18
Entrusted loans and lending	1,263,471,571.80	795,000,000.00
Advance payment	160,000,000.00	90,000,000.00
Financial settlement certificate		49,600,000.00
Fund investment		1,500,000,000.00
other	13,432,639.80	1,174,560.00
Total	23,795,484,577.46	15,330,001,225.02

note 32 Short-term borrowing

1. Short-term loan classification

Items	Closing balance	Opening balance
Pledged borrowing	406,382,431.41	509,593,573.10
Mortgage borrowing	120,000,000.00	
Guaranteed borrowing	1,592,162,125.58	3,408,043,910.21
Borrowing on credit	8,872,586,360.82	2,900,114,258.53
Total	10,991,130,917.81	6,817,751,741.84

note 33 Borrowing from the Central Bank

Items	Closing balance	Opening balance
Deposit in central bank	3,166,428,312.50	2,140,476,250.00
Including: Re-loaned amount	3,000,000,000.00	1,900,000,000.00
Re-discounted amount	166,428,312.50	240,476,250.00
Total	3,166,428,312.50	2,140,476,250.00

The balance of re-loaned amount by Weihai City Commercial Bank in 2016 totaled RMB 3.0 billion. The details are as follows:

(1) On May 31, 2017, the re-lending for micro and small enterprises of RMB 500 million was handled at the interest rate of 3.15%, The expiration date is May 25, 2018, and the bond with par value of RMB 527 million issued by Weihai City Commercial Bank was pledged.

(2) On September 25, 2017, the re-lending for micro and small enterprises of RMB 500 million was handled at the interest rate of 3.15%, The expiration date is September 27, 2018, and Credit asset with par value of RMB 539 million issued by Weihai City Commercial Bank was pledged.

(3) On November 14, 2017, the re-lending for micro and small enterprises of RMB 500 million was handled at the interest rate of 3.25%, The expiration date is November 9, 2017, and the bond with par value of RMB 590 million issued by Weihai City Commercial Bank was pledged.

(4) On December 22, 2017, the re-lending for micro and small enterprises of RMB 500 million was handled at the interest rate of 3.15%, The expiration date is December 14, 2018, and the bond with par value of RMB 539 million issued by Weihai City Commercial Bank was pledged.

(5) On December 25, 2017, the Standing Lending Facility of RMB 1 billion was handled at the interest rate of 3.85%, The expiration date is January 24, 2018, and the bond with par value of RMB 590 million issued by Weihai City Commercial Bank was pledged.

note 34 Deposits from customers and interbank

Items	Closing balance	Opening balance
Deposits from customers		
Current deposit		
1. Corporate customer	38,215,734,203.65	24,780,449,798.86
2. Individual customer	6,081,600,116.34	5,382,513,846.25
Sub-total	44,297,334,319.99	30,162,963,645.11
Fixed-term deposit (including deposit at call)		
1. Corporate customer	25,248,148,436.66	26,785,753,208.54
2. Individual customer	32,790,807,411.38	32,340,910,545.36
Sub-total	58,038,955,848.04	59,126,663,753.90
Other deposits (including outward remittance, drafts and telegraphic transfers payable, etc.)	13,835,992,397.03	17,516,642,701.99
Deposits from interbank		
Deposit in domestic inter banks and other financial institutions	2,632,978,072.75	11,468,195,546.77
Total	118,805,260,637.81	118,274,465,647.77

note 35 Loan from other banks and other financial institutions

Items	Closing balance	Opening balance
Loan from domestic banks and other financial institutions	6,686,000,000.00	3,080,000,000.00
Total	6,686,000,000.00	3,080,000,000.00

note 36 Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bill	221,286,248.20	106,022,616.80
Bank acceptance bill	1,140,064,107.28	986,113,377.91
Total	1,361,350,355.48	1,092,135,994.71

note 37 Accounts payable

Age	Closing balance	Opening balance
Within 1 year (including 1 year)	11,525,659,083.83	7,753,995,222.74
1 to 2 years (including 2 years)	2,160,743,594.34	2,495,645,113.97
2 to 3 years (including 3 years)	512,973,222.95	511,913,157.31
Over 3 years	895,176,665.82	1,125,950,583.81
Total	15,094,552,566.94	11,887,504,077.83

The important accounts payable aged over 1 year:

Name of creditor entity	Closing balance	Reason for no repayment
Yantai Railway Construction Administration	97,562,800.00	Not due
CRRC Beijing Twoseven Locomotive Co., Ltd	71,227,163.72	Not settled
China Construction Eighth Engineering Division Co., Ltd	66,514,836.27	Not settled
The Second Construction Limited Company Of China Construction Eighth Engineering Division	49,508,853.68	Not due
The First Construction Limited Company Of China Construction Eighth Engineering Division	44,752,778.80	Not settled
Shandong Electric Power Engineering Consulting Institute Co., Ltd	37,300,000.00	Not due
Jinan Juda Construction Labor Service Co., Ltd.	34,505,342.99	Not settled
Shandong Pengjian Construction Engineering Group Co., Ltd.	32,341,158.00	Not settled
Weifang City Local Railway Administration	32,214,148.00	Not due
Jiangsu Dongzhu Landscape Co., Ltd.	29,883,069.17	Not settled
Shandong Highway Group Co., Ltd.	26,603,373.15	Not settled
Liu Baiming	25,978,523.00	Not settled
Heze Development Zone Yue Cheng Zheng Hao Labor Services Co., Ltd.	25,615,631.72	Not settled
Li Xingxiang	24,958,445.00	Not settled
Total	598,966,123.50	

note 38 Advances received

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	3,811,739,135.99	3,347,128,716.10
Over 1 year	1,246,223,585.96	962,367,148.02
Total	5,057,962,721.95	4,309,495,864.12

Large-amount Advances received with an age of over one year:

Name of creditor entity	Closing balance	Reason for no carrying-down
Shandong Energy International Logistics Co., Ltd	249,600,000.00	Not settled
Henan Jiaozheng Yellow River Bridge Development Co., Ltd.	130,616,143.00	Not settled
Laiwu Economic Development Investment Co., Ltd.	126,330,000.00	Not settled
Shandong convergence Coal Industry Co., Ltd	93,759,332.40	Not settled
Golden Monkey International Holdings Limited	58,918,208.14	Not settled
China Petroleum and Natural Gas Co., Ltd. Yunnan sales branch	51,791,874.88	Not settled
Vietnam Expressway Investment and Development Corporation (VEC)	47,481,394.66	Not settled
Yunnan World Expo Li & Fung Media Co., Ltd	37,544,500.00	Not settled
Vietnam Highway Investment Development Corporation (VEC)	29,160,512.77	Not settled
Total	773,300,421.19	

note 39 Financial assets sold for repurchase

Items	Closing balance	Opening balance
Bonds	22,020,150,000.00	17,484,100,000.00
Notes from central bank		2,560,498,546.54
Total	22,020,150,000.00	20,044,598,546.54

note 40 Employee benefits payable

1. Presentation of employee benefits payable

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term compensation	754,290,361.07	4,606,956,116.31	4,618,634,625.40	742,611,851.98
II. Post-employment welfare-defined contribution plan	4,767,088.23	477,091,397.71	476,420,285.31	5,438,200.63
III. Dismission welfare	99,112,641.36	51,149,693.86	26,406,399.82	123,855,935.40
IV. Other welfare due within one year				
V. Other				
Total	858,170,090.66	5,135,197,207.88	5,121,461,310.53	871,905,988.01

2. Presentation of short-term compensation

Items	Opening balance	Increase	Decrease	Closing balance
I. Wages, bonuses, allowances and grant	649,711,502.02	3,694,670,623.49	3,728,092,593.36	616,289,532.15

Items	Opening balance	Increase	Decrease	Closing balance
II. Welfare benefits payable	536,408.31	273,483,432.90	266,745,786.11	7,274,055.10
III. Social insurance premiums	24,117,635.13	218,906,695.34	217,994,793.91	25,029,536.56
Including: Medical insurance premiums	3,714,152.98	152,833,886.91	150,107,305.61	6,440,734.28
Industrial injury insurance premiums	93,085.39	10,848,027.70	10,869,847.99	71,265.10
Birth insurance premiums	134,481.80	14,095,064.91	14,156,695.00	72,851.71
Other	20,175,914.96	41,129,715.82	42,860,945.31	18,444,685.47
VI. Housing fund	287,124.42	245,731,894.56	243,150,963.60	2,868,055.38
V. Labor union funds and staff education expenses	79,606,024.60	77,785,669.18	66,279,133.15	91,112,560.63
VI. Short-term compensated absences		194,758.72	194,758.72	-
VII. Short-term profit sharing plan				
VIII. Other short-term compensation	31,666.59	96,183,042.12	96,176,596.55	38,112.16
Total	754,290,361.07	4,606,956,116.31	4,618,634,625.40	742,611,851.98

3. Presentation of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
I. Basic endowment insurance	2,735,633.23	317,784,558.46	318,479,765.37	2,040,426.32
II. Unemployment insurance premiums	253,080.92	46,019,289.14	44,441,092.12	1,831,277.94
III. Payment of enterprise annuity	1,778,374.08	113,287,550.11	113,499,427.82	1,566,496.37
Total	4,767,088.23	477,091,397.71	476,420,285.31	5,438,200.63

note 41 Taxes and surcharges payable

Items	Opening balance	Tax payable	Tax paid	Closing balance
VAT	298,950,444.95	1,485,151,245.61	1,573,715,576.62	210,386,113.94
Consumption tax		214,068,444.28	214,068,444.28	
Resource tax	87,767.03	369,221.58	431,045.20	25,943.41
Enterprise income tax	823,203,384.63	2,453,192,420.35	2,090,098,869.93	1,186,296,935.05
Urban maintenance and construction tax	13,919,202.13	90,715,694.21	90,608,055.04	14,026,841.30
House property tax	10,720,872.83	40,395,013.70	36,860,498.16	14,255,388.37
Land-use tax	7,724,300.41	73,491,550.69	71,147,027.15	10,068,823.95
Land value - added tax	866,659.64	103,221,949.26	99,717,786.90	4,370,822.00
Individual income tax	29,626,955.98	158,289,983.37	150,778,195.36	37,138,743.99

Items	Opening balance	Tax payable	Tax paid	Closing balance
Educational surtax	10,572,585.70	65,772,457.50	66,295,431.49	10,049,611.71
Other taxes	55,483,845.03	419,845,648.64	341,798,078.62	133,531,415.05
Total	1,251,156,018.33	5,104,513,629.19	4,735,519,008.75	1,620,150,638.77

note 42 Interest payable

Items	Closing balance	Opening balance
Interest on long-term borrowings which is paid in installments with principal repaid at maturity date	498,637,810.15	399,535,407.28
Interest on enterprise bonds	1,134,894,174.65	1,032,321,314.97
Interest payable on short-term borrowings	100,542,349.55	35,540,818.72
Other interests	1,911,969,542.93	1,798,306,749.30
Including: Interest on deposit payable to customers	1,860,255,718.10	1,688,224,913.32
Inter-bank interest payable	4,645,883.34	69,568,224.25
Interest payable on sold bond for repurchase	22,195,982.11	32,359,600.12
Borrowing from central bank	2,645,138.88	1,840,972.22
Other interests	22,226,820.50	6,313,039.39
Total	3,646,043,877.28	3,265,704,290.27

note 43 Dividends payable

Name of entity	Closing balance	Opening balance
Common stock dividends	29,367,050.65	11,446,988.43
Dividends on preferred shares designated as equity instruments / perpetual debts	325,625,000.16	236,250,000.06
Total	354,992,050.81	247,696,988.49

note 44 Other payables

1. Other payables presented according to their nature

Items	Closing balance	Opening balance
Current account	7,124,049,168.60	6,795,401,504.20
Project payments	552,061,792.81	1,097,120,373.34
Margin and deposit	715,014,504.34	3,415,852,568.61
Collection of money	1,114,293,425.51	2,733,276,402.45
Borrowings from non-financial institutions	606,234,000.00	9,270,584.34
Accrued expenses	10,724,983.88	23,573,032.29

Items	Closing balance	Opening balance
Payment payable for share acquisition	1,749,279,483.59	2,187,779,483.59
Returned-profit of sale	1,416,950,000.00	
Other	2,206,454,549.82	1,241,393,286.86
Total	15,495,061,908.55	17,503,667,235.68

2. The important other payables aged over 1 year

Name of creditor entity	Closing balance	Reason for no repayment
Ministry of Railways Settlement Center	232,118,329.83	Not settled
China Construction Bank Shandong Branch	100,462,831.33	Historical issues
Honghe Prefecture Government.	64,245,242.79	Not settled
Shandong Geo-mineral International Investment Co., Ltd	58,538,414.85	Not settled
China Integrity International Oceaneering Survey and Design Co., Ltd	52,184,816.91	Not settled
Shandong Transportaion Department	97,143,873.09	Not settled
TRANSCENDEN GLOBAL INVESTMENTS PTD LTD	44,458,696.80	Not settled
Henan Zhongzhou Railway Holdings Co., Ltd.	40,009,100.00	Not settled
China Development Fund equity purchase	42,664,860.85	Not settled
Shanghai Zhida Technology Group Co., Ltd	31,500,000.00	Not settled
Lijia Industrial (Fujian) Group Co., Ltd.	28,396,084.73	Not settled
Yiyang reform line	27,575,152.99	Not settled
China Haoyuan Group Co., Ltd.	20,000,000.00	Not settled
Total	839,297,404.17	

note 45 Reinsurance payable

Age	Closing balance	Opening balance
Within 1 year (including 1 year)	120,734,050.81	70,461,503.88
Over 1 year	1,528,351.81	2,257,179.02
Total	122,262,402.62	72,718,682.90

note 46 Provision for insurance contracts

1. Increase and decrease of provision for insurance contracts

Items	Opening balance	Increase	Decrease			Closing balance
			Compensation	Other	Total	
Unearned premium reserves						
Original insurance contracts	731,109,272.49	1,522,142,405.15		1,466,919,064.79	1,466,919,064.79	786,332,612.85
Reinsurance contracts	6,649,926.54	28,435,211.91		26,614,827.65	26,614,827.65	8,470,310.80
Subtotal	737,759,199.03	1,550,577,617.06		1,493,533,892.44	1,493,533,892.44	794,802,923.65
Outstanding loss reserves						
Original insurance contracts	664,418,321.32	883,187,919.63	813,021,370.79		813,021,370.79	734,584,870.16
Reinsurance contracts	23,115,093.29	22,863,324.78	33,065,112.92		33,065,112.92	12,913,305.15
Subtotal	687,533,414.61	906,051,244.41	846,086,483.71		846,086,483.71	747,498,175.31
Total	1,425,292,613.64	2,456,628,861.47	846,086,483.71	1,493,533,892.44	2,339,620,376.15	1,542,301,098.96

2. Unexpired term of provision for insurance contracts

Items	Closing balance		Opening balance	
	Less than 1 year (including 1 year)	Over 1 year	Less than 1 year (including 1 year)	Over 1 year
Unearned premium reserves				
Original insurance contracts	784,416,939.54	1,915,673.31	677,016,346.93	54,092,925.56
Reinsurance contracts	8,449,675.32	20,635.48	6,157,915.30	492,011.24
Outstanding loss reserves				
Original insurance contracts	520,685,294.69	213,899,575.47	530,741,679.36	133,676,641.96
Reinsurance contracts	9,153,153.53	3,760,151.62	18,464,486.96	4,650,606.33
Total	1,322,705,063.08	219,596,035.88	1,232,380,428.55	192,912,185.09

3. The original insurance contract outstanding claims reserve

Items	Closing balance	Opening balance
Reported outstanding claims reserve	311,751,624.40	273,992,854.55
Unreported outstanding claims reserve	338,102,396.80	312,877,414.86
Claims expense reserve	84,730,848.96	77,548,051.91
Total	734,584,870.16	664,418,321.32

note 47 Premium provision

Items	Opening balance	Increase	Decrease	Closing balance
Plant Insurance	23,043,934.50	7,697,797.86	9,066,835.59	21,674,896.77
Breeding insurance	459,627.09	243,869.92	151,747.87	551,749.14
Forest insurance	111,116.42	707,923.55	375,411.25	443,628.72
Total	23,614,678.01	8,649,591.33	9,593,994.71	22,670,274.63

note 48 Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	1,694,143,816.00	1,965,549,989.04
Bonds payable due within one year	2,550,000,000.00	1,498,437,066.00
Long-term payables due within one year	635,660,461.72	230,303,384.31
Other long-term liabilities due within one year	16,619,980.97	18,001,905.02
Total	4,896,424,258.69	3,712,292,344.37

note 49 Other current liabilities

Items	Closing balance	Opening balance
1、Short-term financing bonds	8,500,000,000.00	9,000,000,000.00
2、Other agency services	561,916,079.86	373,105,016.18
3、Liquidation of current accounts	135,609,612.92	43,195,500.91
4、Issued promissory notes		200,000,000.00
5、Insurance protection fund		3,321,944.37
6、VAT related payments	302,609,932.24	177,492,492.58
7、Other		5,297,733.00
Total	9,500,135,625.02	9,802,412,687.04

note 50 Long-term borrowing

Items	Closing balance	Opening balance
Pledged borrowing	31,041,215,839.66	26,598,575,958.61
Mortgage borrowing	13,838,180,108.29	6,652,367,340.03
Guaranteed borrowing	18,824,047,073.74	19,399,226,488.05
Borrowing on credit	32,150,729,716.73	19,075,264,922.03
Total	95,854,172,738.42	71,725,434,708.72

note 51 Bonds payable

1. Bonds payable

Items	Closing balance	Opening balance
15 Weihai Commercial Bank Level 2	2,995,485,551.48	2,994,882,612.20
Small and Micro Business Loans Special Financial Bonds (Phase 2)	2,497,765,514.37	2,496,121,828.93
17 Weihai City Commercial Bank CD078	2,263,565,825.49	
16 Lutie investment bond	2,000,000,000.00	2,000,000,000.00
Corporate bonds	1,999,087,671.00	1,998,487,671.00
15 Weihai Commercial Bank Level 2	1,996,654,461.19	
17 Weihai City Commercial Bank CD064	1,956,043,324.56	
17 Weihai City Commercial Bank CD079	1,900,543,910.32	
17 Weihai City Commercial Bank CD054	1,871,281,155.56	
17 Weihai City Commercial Bank CD056	1,555,300,966.77	
17 Weihai City Commercial Bank CD081	1,520,777,092.00	
17 Weihai City Commercial Bank CD055	1,437,743,050.00	
17 Weihai City Commercial Bank CD058	1,434,818,163.17	
SDSC INTL B1911	1,304,590,841.26	1,383,733,011.62
Overseas Private Equity Bonds	1,301,625,563.15	
17 Weihai City Commercial Bank CD062	1,144,591,438.25	
17 Weihai City Commercial Bank CD082	996,214,407.70	
17 Weihai City Commercial Bank CD061	954,804,076.62	
17 Weihai City Commercial Bank CD057	924,301,952.60	
17 Weihai City Commercial Bank CD060	784,488,670.84	
Private Equity Perpetual Bonds	774,940,176.55	820,200,634.68
17 Weihai City Commercial Bank CD052	758,531,076.20	
700 million yuan medium-term notes	700,000,000.00	700,000,000.00
17 Weihai City Commercial Bank CD070	617,593,590.13	
17 Weihai City Commercial Bank CD071	571,746,378.79	
17 Weihai City Commercial Bank CD065	553,102,755.04	
2017 Super Short Bonds	500,000,000.00	
17 Mountain Road 01	500,000,000.00	
Small and micro business loan special financial bonds (I)	499,634,156.16	499,272,950.32
17 Weihai City Commercial Bank CD002	498,674,390.11	
17 Weihai City Commercial Bank CD030	494,468,029.32	
Medium-term notes	410,634,500.00	410,634,500.00

Items	Closing balance	Opening balance
17 Weihai City Commercial Bank CD063	334,004,566.84	
17 High-speed Road&Bridge MTN001	320,000,000.00	
17 Weihai City Commercial Bank CD022	297,918,572.80	
17 Weihai City Commercial Bank CD076	292,779,000.58	
17 Weihai City Commercial Bank CD068	285,990,103.50	
17 Weihai City Commercial Bank CD074	266,777,784.00	
17 Weihai City Commercial Bank CD066	244,378,667.86	
17 Weihai City Commercial Bank CD069	244,312,484.64	
17 Weihai City Commercial Bank CD059	235,378,827.17	
17 Weihai City Commercial Bank CD067	221,993,469.70	
2015 Ocean Investment bond (I)	198,826,769.88	198,436,290.59
17 Weihai City Commercial Bank CD021	198,612,381.87	
17 Weihai City Commercial Bank CD077	195,186,000.39	
17 Weihai City Commercial Bank CD072	166,109,036.12	
2016 Ocean Investment bond (I)	99,327,595.77	99,137,607.92
17 Weihai City Commercial Bank CD075	95,200,332.96	
17 Weihai City Commercial Bank CD080	57,766,295.53	
17 Weihai City Commercial Bank CD073	48,242,756.58	
16 Weihai City Commercial Bank CD020		797,919,700.64
16 Weihai City Commercial Bank CD022		498,462,586.19
16 Weihai City Commercial Bank CD023		494,955,714.18
16 Weihai City Commercial Bank CD025		491,073,525.74
16 Weihai City Commercial Bank CD026		196,367,872.68
16 Weihai City Commercial Bank CD027		490,842,807.51
16 Weihai City Commercial Bank CD028		539,816,624.07
16 Weihai City Commercial Bank CD030		497,134,532.70
16 Weihai City Commercial Bank CD031		440,772,732.45
16 Weihai City Commercial Bank CD032		440,706,671.57
16 Weihai City Commercial Bank CD034		1,092,489,584.54
16 Weihai City Commercial Bank CD035		977,734,591.74
16 Weihai City Commercial Bank CD036		293,320,370.47
16 Weihai City Commercial Bank CD037		195,506,483.47
16 Weihai City Commercial Bank CD038		998,868,365.77
16 Weihai City Commercial Bank CD039		249,404,139.22

Items	Closing balance	Opening balance
16 Weihai City Commercial Bank CD040		797,795,177.19
16 Weihai City Commercial Bank CD041		797,795,177.19
16 Weihai City Commercial Bank CD043		296,856,529.42
16 Weihai City Commercial Bank CD044		1,993,306,452.99
16 Weihai City Commercial Bank CD045		316,478,673.33
16 Weihai City Commercial Bank CD046		2,175,111,622.17
16 Weihai City Commercial Bank CD047		998,180,814.07
16 Weihai City Commercial Bank CD048		499,090,406.23
16 Weihai City Commercial Bank CD049		990,801,606.69
16 Weihai City Commercial Bank CD050		996,891,834.07
16 Weihai City Commercial Bank CD051		947,047,242.33
2016 super short financial		500,000,000.00
1401 medium-term notes	3,000,000,000.00	3,000,000,000.00
1402 medium-term notes	2,500,000,000.00	2,500,000,000.00
201501 medium-term notes	2,500,000,000.00	2,500,000,000.00
16 Lu High-speed MTN001	2,500,000,000.00	2,500,000,000.00
201601 Corporate bond	2,500,000,000.00	2,500,000,000.00
17 Lu High-speed MTN003	2,500,000,000.00	
2017 Exchangeable Corporate Bonds	2,500,000,000.00	
12 Lu High-speed bond	2,000,000,000.00	2,000,000,000.00
07 Lu High-speed bond	1,500,000,000.00	1,500,000,000.00
17 Lu High-speed MTN004	1,500,000,000.00	
06 Lu High-speed bond	1,000,000,000.00	1,000,000,000.00
2015 Corporate bond	1,000,000,000.00	1,000,000,000.00
16 Lu High-speed MTN003	1,000,000,000.00	1,000,000,000.00
17Lu High-speed MTN001	1,000,000,000.00	
201701 Corporate bond	970,000,000.00	
201702 Corporate bond	530,000,000.00	
09 Lu High-speed bond	75,000,000.00	75,000,000.00
China Life Insurance Claims Plan		3,000,000,000.00
China Life Insurance Claims Plan		2,100,000,000.00
12 medium-term note		1,000,000,000.00
Total	72,096,813,334.82	59,280,638,945.88

2. Changes in bonds payable

Bond name	Par value	issue date	Bond period	Issue amount	Opening balance
15 Weihai Commercial Bank Level 2	3,000,000,000.00	2015-9-24	Ten years	2,994,270,000.00	2,994,882,612.20
Small and Micro Business Loans Special Financial Bonds (Phase 2)	2,500,000,000.00	2014-6-23	Five years	2,492,238,000.00	2,496,121,828.93
17 Weihai City Commercial Bank CD078	2,290,000,000.00	2017-12-19	Three months	2,259,909,400.00	
16 Lutie investment bond	2,000,000,000.00	2016-3-3	Fifteen years	2,000,000,000.00	2,000,000,000.00
Corporate bonds	2,000,000,000.00	2014-7-16	Five years	2,000,000,000.00	1,998,487,671.00
15 Weihai Commercial Bank Level 2	2,000,000,000.00	2017-7-11	Ten years	1,996,523,584.90	
17 Weihai City Commercial Bank CD064	2,050,000,000.00	2017-12-6	A year	1,949,595,100.00	
17 Weihai City Commercial Bank CD079	2,000,000,000.00	2017-12-19	A year	1,897,534,000.00	
17 Weihai City Commercial Bank CD054	1,900,000,000.00	2017-10-25	Six months	1,855,135,300.00	
17 Weihai City Commercial Bank CD056	1,580,000,000.00	2017-10-27	Six months	1,542,691,460.00	
17 Weihai City Commercial Bank CD081	1,600,000,000.00	2017-12-20	A year	1,518,603,200.00	
17 Weihai City Commercial Bank CD055	1,460,000,000.00	2017-10-26	Six months	1,425,525,020.00	
17 Weihai City Commercial Bank CD058	1,500,000,000.00	2017-11-21	Six months	1,427,212,500.00	
SDSC INTL B1911	1,223,800,000.00	2014-11-12	Five years	1,218,357,360.00	1,383,733,011.62
Overseas Private Equity Bonds	1,301,625,563.15		Sustainable		
17 Weihai City Commercial Bank CD062	1,170,000,000.00	2017-12-5	Six months	1,140,596,730.00	
17 Weihai City Commercial Bank CD082	1,000,000,000.00	2017-12-22	A month	995,308,000.00	
17 Weihai City Commercial Bank CD061	1,000,000,000.00	2017-11-28	A year	950,570,000.00	
17 Weihai City Commercial Bank CD057	940,000,000.00	2017-11-7	Six months	917,878,980.00	
17 Weihai City Commercial Bank CD060	800,000,000.00	2017-11-22	Six months	780,417,600.00	
Private Equity Perpetual Bonds	819,886,804.80	2016-11-17	PerpetualBond (Redeemable after 5 years)	819,886,804.80	820,200,634.68
17 Weihai City Commercial Bank CD052	770,000,000.00	2017-10-24	Six months	751,928,100.00	
700 million yuan medium-term notes	700,000,000.00	2016-2-17	Five years	700,000,000.00	700,000,000.00
17 Weihai City Commercial Bank CD070	640,000,000.00	2017-12-11	Nine months	615,955,840.00	
17 Weihai City Commercial Bank CD071	600,000,000.00	2017-12-11	A year	570,234,000.00	
17 Weihai City Commercial Bank CD065	580,000,000.00	2017-12-7	A year	551,339,300.00	
2017 Super Short Bonds	500,000,000.00	2017-7-25	270days	500,000,000.00	
17 Mountain Road 01	500,000,000.00	2017-3-10	Five years	500,000,000.00	
Small and micro business loan special financial bonds (I)	500,000,000.00	2014-2-17	Five years	498,298,000.00	499,272,950.32

Bond name	Par value	issue date	Bond period	Issue amount	Opening balance
17 Weihai City Commercial Bank CD002	500,000,000.00	2017-1-23	A year	480,215,000.00	
17 Weihai City Commercial Bank CD030	500,000,000.00	2017-6-27	Nine months	482,845,500.00	
Medium-term notes	400,000,000.00	2014-7-25	Five years	400,000,000.00	410,634,500.00
17 Weihai City Commercial Bank CD063	350,000,000.00	2017-12-5	A year	332,857,700.00	
17 High-speed Road&Bridge MTN001	320,000,000.00	2017-9-27	Five years	320,000,000.00	
17 Weihai City Commercial Bank CD022	300,000,000.00	2017-5-24	Nine months	289,880,400.00	
17 Weihai City Commercial Bank CD076	300,000,000.00	2017-12-18	Six months	292,275,900.00	
17 Weihai City Commercial Bank CD068	300,000,000.00	2017-12-8	A year	285,198,300.00	
17 Weihai City Commercial Bank CD074	280,000,000.00	2017-12-12	A year	266,109,200.00	
17 Weihai City Commercial Bank CD066	250,000,000.00	2017-12-8	Six months	243,693,500.00	
17 Weihai City Commercial Bank CD069	250,000,000.00	2017-12-11	Six months	243,658,000.00	
17 Weihai City Commercial Bank CD059	240,000,000.00	2017-11-21	Six months	234,125,280.00	
17 Weihai City Commercial Bank CD067	230,000,000.00	2017-12-8	Nine months	221,375,000.00	
2015 Ocean Investment bond (I)	200,000,000.00	2015-10-27	Five years	200,000,000.00	198,436,290.59
17 Weihai City Commercial Bank CD021	200,000,000.00	2017-5-24	Nine months	193,253,600.00	
17 Weihai City Commercial Bank CD077	200,000,000.00	2017-12-18	Six months	194,850,600.00	
17 Weihai City Commercial Bank CD072	170,000,000.00	2017-12-12	Six months	165,687,440.00	
2016 Ocean Investment bond (I)	100,000,000.00	2016-3-30	Five years	100,000,000.00	99,137,607.92
17 Weihai City Commercial Bank CD075	100,000,000.00	2017-12-14	A year	94,985,900.00	
17 Weihai City Commercial Bank CD080	60,000,000.00	2017-12-20	Nine months	57,683,340.00	
17 Weihai City Commercial Bank CD073	50,000,000.00	2017-12-12	Nine months	48,121,550.00	
16 Weihai City Commercial Bank CD020	800,000,000.00	2016-7-29	Six months	788,112,000.00	797,919,700.64
16 Weihai City Commercial Bank CD022	500,000,000.00	2016-8-8	Six months	492,967,000.00	498,462,586.19
16 Weihai City Commercial Bank CD023	500,000,000.00	2016-8-8	Nine months	489,385,000.00	494,955,714.18
16 Weihai City Commercial Bank CD025	500,000,000.00	2016-8-17	A year	485,908,500.00	491,073,525.74
16 Weihai City Commercial Bank CD026	200,000,000.00	2016-8-19	A year	194,363,400.00	196,367,872.68
16 Weihai City Commercial Bank CD027	500,000,000.00	2016-8-23	A year	485,908,500.00	490,842,807.51
16 Weihai City Commercial Bank CD028	550,000,000.00	2016-8-24	A year	534,395,400.00	539,816,624.07
16 Weihai City Commercial Bank CD030	500,000,000.00	2016-9-9	Six months	492,727,500.00	497,134,532.70
16 Weihai City Commercial Bank CD031	450,000,000.00	2016-9-9	A year	436,851,000.00	440,772,732.45
16 Weihai City Commercial Bank CD032	450,000,000.00	2016-9-12	A year	436,808,250.00	440,706,671.57

Bond name	Par value	issue date	Bond period	Issue amount	Opening balance
16 Weihai City Commercial Bank CD034	1,100,000,000.00	2016-9-20	Six months	1,083,080,900.00	1,092,489,584.54
16 Weihai City Commercial Bank CD035	1,000,000,000.00	2016-9-21	A year	969,462,000.00	977,734,591.74
16 Weihai City Commercial Bank CD036	300,000,000.00	2016-9-21	A year	290,838,600.00	293,320,370.47
16 Weihai City Commercial Bank CD037	200,000,000.00	2016-9-22	A year	193,860,000.00	195,506,483.47
16 Weihai City Commercial Bank CD038	1,000,000,000.00	2016-10-13	Three months	992,587,000.00	998,868,365.77
16 Weihai City Commercial Bank CD039	250,000,000.00	2016-10-26	Three months	247,975,500.00	249,404,139.22
16 Weihai City Commercial Bank CD040	800,000,000.00	2016-10-28	Three months	793,474,400.00	797,795,177.19
16 Weihai City Commercial Bank CD041	800,000,000.00	2016-10-28	Three months	793,474,400.00	797,795,177.19
16 Weihai City Commercial Bank CD043	300,000,000.00	2016-11-2	Six months	295,385,700.00	296,856,529.42
16 Weihai City Commercial Bank CD044	2,000,000,000.00	2016-11-7	Three months	1,984,246,000.00	1,993,306,452.99
16 Weihai City Commercial Bank CD045	320,000,000.00	2016-11-7	Six months	315,032,000.00	316,478,673.33
16 Weihai City Commercial Bank CD046	2,200,000,000.00	2016-11-9	Six months	2,165,424,800.00	2,175,111,622.17
16 Weihai City Commercial Bank CD047	1,000,000,000.00	2016-12-14	A month	996,244,000.00	998,180,814.07
16 Weihai City Commercial Bank CD048	500,000,000.00	2016-12-14	A month	498,122,000.00	499,090,406.23
16 Weihai City Commercial Bank CD049	1,000,000,000.00	2016-12-16	Three months	989,394,000.00	990,801,606.69
16 Weihai City Commercial Bank CD050	1,000,000,000.00	2016-12-22	A month	995,813,000.00	996,891,834.07
16 Weihai City Commercial Bank CD051	950,000,000.00	2016-12-22	A month	946,022,350.00	947,047,242.33
17 Weihai City Commercial Bank CD001	2,000,000,000.00	2017-1-23	Six months	1,959,194,000.00	
17 Weihai City Commercial Bank CD003	1,000,000,000.00	2017-1-24	Three months	989,750,000.00	
17 Weihai City Commercial Bank CD004	900,000,000.00	2017-2-15	Three months	890,124,300.00	
17 Weihai City Commercial Bank CD005	2,700,000,000.00	2017-2-15	Six months	2,639,784,600.00	
17 Weihai City Commercial Bank CD006	700,000,000.00	2017-2-15	Nine months	676,961,600.00	
17 Weihai City Commercial Bank CD007	2,000,000,000.00	2017-2-23	Three months	1,978,054,000.00	
17 Lu High-speed MTN00317 Weihai City Commercial Bank CD008	1,130,000,000.00	2017-3-10	Three months	1,117,327,050.00	
17 Weihai City Commercial Bank CD009	1,000,000,000.00	2017-3-30	Three months	988,783,000.00	
17 Weihai City Commercial Bank CD010	500,000,000.00	2017-3-30	Six months	488,728,500.00	
17 Weihai City Commercial Bank CD011	1,000,000,000.00	2017-4-18	A month	996,576,000.00	
17 Weihai City Commercial Bank CD012	330,000,000.00	2017-4-18	Three months	326,298,390.00	
17 Weihai City Commercial Bank CD013	170,000,000.00	2017-4-18	Six months	166,151,370.00	
17 Weihai City Commercial Bank CD014	1,000,000,000.00	2017-4-19	A month	996,410,000.00	
117 Weihai City Commercial Bank CD015	490,000,000.00	2017-4-24	Three months	484,503,670.00	

Bond name	Par value	issue date	Bond period	Issue amount	Opening balance
117 Weihai City Commercial Bank CD016	200,000,000.00	2017-5-4	A month	199,285,800.00	
17 Weihai City Commercial Bank CD017	1,000,000,000.00	2017-5-4	Three months	988,217,000.00	
17 Weihai City Commercial Bank CD018	50,000,000.00	2017-5-9	A month	49,810,850.00	
17 Weihai City Commercial Bank CD019	1,700,000,000.00	2017-5-11	A month	1,693,958,200.00	
17 Weihai City Commercial Bank CD020	700,000,000.00	2017-5-12	A month	697,512,200.00	
17 Weihai City Commercial Bank CD023	140,000,000.00	2017-6-2	A month	139,436,080.00	
17 Weihai City Commercial Bank CD024	500,000,000.00	2017-6-5	A month	497,953,500.00	
17 Weihai City Commercial Bank CD025	50,000,000.00	2017-6-5	A month	49,796,600.00	
17 Weihai City Commercial Bank CD026	2,000,000,000.00	2017-6-12	Six months	1,949,182,000.00	
17 Weihai City Commercial Bank CD027	1,000,000,000.00	2017-6-23	A month	996,030,000.00	
17 Weihai City Commercial Bank CD028	400,000,000.00	2017-6-23	Three months	395,366,000.00	
17 Weihai City Commercial Bank CD029	600,000,000.00	2017-6-26	Three months	593,049,000.00	
17 Weihai City Commercial Bank CD031	100,000,000.00	2017-6-30	A month	99,657,200.00	
17 Weihai City Commercial Bank CD032	1,000,000,000.00	2017-7-6	Three months	988,418,000.00	
17 Weihai City Commercial Bank CD033	700,000,000.00	2017-7-19	Three months	692,580,700.00	
17 Weihai City Commercial Bank CD034	410,000,000.00	2017-7-26	Three months	405,553,550.00	
17 Weihai City Commercial Bank CD035	1,500,000,000.00	2017-7-27	A month	1,494,921,000.00	
17 Weihai City Commercial Bank CD036	1,230,000,000.00	2017-7-27	Three months	1,216,372,830.00	
17 Weihai City Commercial Bank CD037	300,000,000.00	2017-7-28	Three months	296,746,500.00	
17 Weihai City Commercial Bank CD038	1,000,000,000.00	2017-7-31	A month	996,614,000.00	
17 Weihai City Commercial Bank CD039	1,700,000,000.00	2017-8-2	A month	1,694,133,300.00	
17 Weihai City Commercial Bank CD040	500,000,000.00	2017-8-2	A month	498,274,500.00	
17 Weihai City Commercial Bank CD041	1,000,000,000.00	2017-8-8	A month	996,711,000.00	
17 Weihai City Commercial Bank CD042	1,000,000,000.00	2017-8-16	A month	996,662,000.00	
17 Weihai City Commercial Bank CD043	120,000,000.00	2017-8-30	A month	119,582,280.00	
17 Weihai City Commercial Bank CD044	3,500,000,000.00	2017-9-5	Three months	3,459,036,000.00	
17 Weihai City Commercial Bank CD045	300,000,000.00	2017-9-6	A month	298,755,900.00	
17 Weihai City Commercial Bank CD046	200,000,000.00	2017-9-14	Three months	197,829,800.00	
17 Weihai City Commercial Bank CD047	3,000,000,000.00	2017-9-15	Three months	2,967,081,000.00	
17 Weihai City Commercial Bank CD048	1,030,000,000.00	2017-9-21	Three months	1,018,622,620.00	
17 Weihai City Commercial Bank CD049	1,320,000,000.00	2017-9-27	Three months	1,305,354,600.00	

Bond name	Par value	issue date	Bond period	Issue amount	Opening balance
17 Weihai City Commercial Bank CD050	2,000,000,000.00	2017-9-28	Three months	1,977,518,000.00	
17 Weihai City Commercial Bank CD051	1,150,000,000.00	2017-10-24	A month	1,145,701,300.00	
17 Weihai City Commercial Bank CD053	1,050,000,000.00	2017-10-25	A month	1,046,238,900.00	
2016 super short financial	500,000,000.00	2016-11-15	270days	500,000,000.00	500,000,000.00
1401 medium-term notes	3,000,000,000.00	2014.04.30	Fifteen year	3,000,000,000.00	3,000,000,000.00
1402 medium-term notes	2,500,000,000.00	2014.11.17	Ten years	2,500,000,000.00	2,500,000,000.00
201501 medium-term notes	2,500,000,000.00	2015.07.21	Ten years	2,500,000,000.00	2,500,000,000.00
16 Lu High-speed MTN001	2,500,000,000.00	2016.02.19	Five years	2,500,000,000.00	2,500,000,000.00
201601 Corporate bond	2,500,000,000.00	2016.07.06	Five years	2,500,000,000.00	2,500,000,000.00
17 Lu High-speed MTN003	2,500,000,000.00	2017.10.23	Five years	2,500,000,000.00	
2017 Exchangeable Corporate Bonds	2,500,000,000.00	2017.04.24	Five years	2,500,000,000.00	
12 Lu High-speed bond	2,000,000,000.00	2012.02.10	Ten years	2,000,000,000.00	2,000,000,000.00
07 Lu High-speed bond	1,500,000,000.00	2007.11.19	Fifteen year	1,500,000,000.00	1,500,000,000.00
17 Lu High-speed MTN004	1,500,000,000.00	2017.11.29	Three years	1,500,000,000.00	
06 Lu High-speed bond	1,000,000,000.00	2006.04.10	Twenty years	1,000,000,000.00	1,000,000,000.00
2015 Corporate bond	1,000,000,000.00	2015.12.17	Five years	1,000,000,000.00	1,000,000,000.00
16 Lu High-speed MTN003	1,000,000,000.00	2016.09.23	Ten years	1,000,000,000.00	1,000,000,000.00
17Lu High-speed MTN001	1,000,000,000.00	2017.06.05	Three years	1,000,000,000.00	
201701 Corporate bond	970,000,000.00	2017.04.18	Three years	970,000,000.00	
201702 Corporate bond	530,000,000.00	2017.04.18	Five years	530,000,000.00	
09 Lu High-speed bond	75,000,000.00	2009.05.15	Ten years	75,000,000.00	75,000,000.00
China Life Insurance Claims Plan	3,000,000,000.00	2011.05.30	Seven years	3,000,000,000.00	3,000,000,000.00
China Life Insurance Claims Plan	2,100,000,000.00	2011.12.29	Seven years	2,100,000,000.00	2,100,000,000.00
12 medium-term note	1,000,000,000.00	2012.10.18	Five years	1,000,000,000.00	1,000,000,000.00
合计	146,440,312,367.95			143,440,296,379.70	59,280,638,945.88

Continued:

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
15 Weihai Commercial Bank Level 2		156,000,000.00	602,939.28		2,995,485,551.48
Small and Micro Business Loans Special Financial Bonds (Phase 2)		145,000,000.00	1,643,685.44		2,497,765,514.37
17 Weihai City Commercial Bank CD078	2,259,909,400.00		3,656,425.49		2,263,565,825.49

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
16 Lutie investment bond					2,000,000,000.00
Corporate bonds			600,000.00		1,999,087,671.00
15 Weihai Commercial Bank Level 2	1,996,523,584.90	47,146,118.72	130,876.29		1,996,654,461.19
17 Weihai City Commercial Bank CD064	1,949,595,100.00		6,448,224.56		1,956,043,324.56
17 Weihai City Commercial Bank CD079	1,897,534,000.00		3,009,910.32		1,900,543,910.32
17 Weihai City Commercial Bank CD054	1,855,135,300.00		16,145,855.56		1,871,281,155.56
17 Weihai City Commercial Bank CD056	1,542,691,460.00		12,609,506.77		1,555,300,966.77
17 Weihai City Commercial Bank CD081	1,518,603,200.00		2,173,892.00		1,520,777,092.00
17 Weihai City Commercial Bank CD055	1,425,525,020.00		12,218,030.00		1,437,743,050.00
17 Weihai City Commercial Bank CD058	1,427,212,500.00		7,605,663.17		1,434,818,163.17
SDSC INTL B1911					1,304,590,841.26
Overseas Private Equity Bonds					1,301,625,563.15
17 Weihai City Commercial Bank CD062	1,140,596,730.00		3,994,708.25		1,144,591,438.25
17 Weihai City Commercial Bank CD082	995,308,000.00		906,407.70		996,214,407.70
17 Weihai City Commercial Bank CD061	950,570,000.00		4,234,076.62		954,804,076.62
17 Weihai City Commercial Bank CD057	917,878,980.00		6,422,972.60		924,301,952.60
17 Weihai City Commercial Bank CD060	780,417,600.00		4,071,070.84		784,488,670.84
Private Equity Perpetual Bonds					774,940,176.55
17 Weihai City Commercial Bank CD052	751,928,100.00		6,602,976.20		758,531,076.20
700 million yuan medium-term notes		28,630,000.00			700,000,000.00
17 Weihai City Commercial Bank CD070	615,955,840.00		1,637,750.13		617,593,590.13
17 Weihai City Commercial Bank CD071	570,234,000.00		1,512,378.79		571,746,378.79
17 Weihai City Commercial Bank CD065	551,339,300.00		1,763,455.04		553,102,755.04
2017 Super Short Bonds	500,000,000.00	10,410,684.94			500,000,000.00
17 Mountain Road 01	500,000,000.00	20,545,890.41			500,000,000.00
Small and micro business loan special financial bonds (I)		30,000,000.00	361,205.84		499,634,156.16
17 Weihai City Commercial Bank CD002	480,215,000.00		18,459,390.11		498,674,390.11
17 Weihai City Commercial Bank CD030	482,845,500.00		11,622,529.32		494,468,029.32
Medium-term notes					410,634,500.00
17 Weihai City Commercial Bank CD063	332,857,700.00		1,146,866.84		334,004,566.84
17 High-speed Road&Bridge MTN001	320,000,000.00	4,679,539.73			320,000,000.00

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
17 Weihai City Commercial Bank CD022	289,880,400.00		8,038,172.80		297,918,572.80
17 Weihai City Commercial Bank CD076	292,275,900.00		503,100.58		292,779,000.58
17 Weihai City Commercial Bank CD068	285,198,300.00		791,803.50		285,990,103.50
17 Weihai City Commercial Bank CD074	266,109,200.00		668,584.00		266,777,784.00
17 Weihai City Commercial Bank CD066	243,693,500.00		685,167.86		244,378,667.86
17 Weihai City Commercial Bank CD069	243,658,000.00		654,484.64		244,312,484.64
17 Weihai City Commercial Bank CD059	234,125,280.00		1,253,547.17		235,378,827.17
17 Weihai City Commercial Bank CD067	221,375,000.00		618,469.70		221,993,469.70
2015 Ocean Investment bond (I)		7,600,000.00	390,479.29		198,826,769.88
17 Weihai City Commercial Bank CD021	193,253,600.00		5,358,781.87		198,612,381.87
17 Weihai City Commercial Bank CD077	194,850,600.00		335,400.39		195,186,000.39
17 Weihai City Commercial Bank CD072	165,687,440.00		421,596.12		166,109,036.12
2016 Ocean Investment bond (I)		3,780,000.00	189,987.85		99,327,595.77
17 Weihai City Commercial Bank CD075	94,985,900.00		214,432.96		95,200,332.96
17 Weihai City Commercial Bank CD080	57,683,340.00		82,955.53		57,766,295.53
17 Weihai City Commercial Bank CD073	48,121,550.00		121,206.58		48,242,756.58
16 Weihai City Commercial Bank CD020			2,080,299.36	800,000,000.00	
16 Weihai City Commercial Bank CD022			1,537,413.81	500,000,000.00	
16 Weihai City Commercial Bank CD023			5,044,285.82	500,000,000.00	
16 Weihai City Commercial Bank CD025			8,926,474.26	500,000,000.00	
16 Weihai City Commercial Bank CD026			3,632,127.32	200,000,000.00	
16 Weihai City Commercial Bank CD027			9,157,192.49	500,000,000.00	
16 Weihai City Commercial Bank CD028			10,183,375.93	550,000,000.00	
16 Weihai City Commercial Bank CD030			2,865,467.30	500,000,000.00	
16 Weihai City Commercial Bank CD031			9,227,267.55	450,000,000.00	
16 Weihai City Commercial Bank CD032			9,293,328.43	450,000,000.00	
16 Weihai City Commercial Bank CD034			7,510,415.46	1,100,000,000.00	
16 Weihai City Commercial Bank CD035			22,265,408.26	1,000,000,000.00	
16 Weihai City Commercial Bank CD036			6,679,629.53	300,000,000.00	
16 Weihai City Commercial Bank CD037			4,493,516.53	200,000,000.00	
16 Weihai City Commercial Bank CD038			1,131,634.23	1,000,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
16 Weihai City Commercial Bank CD039			595,860.78	250,000,000.00	
16 Weihai City Commercial Bank CD040			2,204,822.81	800,000,000.00	
16 Weihai City Commercial Bank CD041			2,204,822.81	800,000,000.00	
16 Weihai City Commercial Bank CD043			3,143,470.58	300,000,000.00	
16 Weihai City Commercial Bank CD044			6,693,547.01	2,000,000,000.00	
16 Weihai City Commercial Bank CD045			3,521,326.67	320,000,000.00	
16 Weihai City Commercial Bank CD046			24,888,377.83	2,200,000,000.00	
16 Weihai City Commercial Bank CD047			1,819,185.93	1,000,000,000.00	
16 Weihai City Commercial Bank CD048			909,593.77	500,000,000.00	
16 Weihai City Commercial Bank CD049			9,198,393.31	1,000,000,000.00	
16 Weihai City Commercial Bank CD050			3,108,165.93	1,000,000,000.00	
16 Weihai City Commercial Bank CD051			2,952,757.67	950,000,000.00	
17 Weihai City Commercial Bank CD001	1,959,194,000.00		40,806,000.00	2,000,000,000.00	
17 Weihai City Commercial Bank CD003	989,750,000.00		10,250,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD004	890,124,300.00		9,875,700.00	900,000,000.00	
17 Weihai City Commercial Bank CD005	2,639,784,600.00		60,215,400.00	2,700,000,000.00	
17 Weihai City Commercial Bank CD006	676,961,600.00		23,038,400.00	700,000,000.00	
17 Weihai City Commercial Bank CD007	1,978,054,000.00		21,946,000.00	2,000,000,000.00	
17 Lu High-speed MTN00317 Weihai City Commercial Bank CD008	1,117,327,050.00		12,672,950.00	1,130,000,000.00	
17 Weihai City Commercial Bank CD009	988,783,000.00		11,217,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD010	488,728,500.00		11,271,500.00	500,000,000.00	
17 Weihai City Commercial Bank CD011	996,576,000.00		3,424,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD012	326,298,390.00		3,701,610.00	330,000,000.00	
17 Weihai City Commercial Bank CD013	166,151,370.00		3,848,630.00	170,000,000.00	
17 Weihai City Commercial Bank CD014	996,410,000.00		3,590,000.00	1,000,000,000.00	
117 Weihai City Commercial Bank CD015	484,503,670.00		5,496,330.00	490,000,000.00	
117 Weihai City Commercial Bank CD016	199,285,800.00		714,200.00	200,000,000.00	
17 Weihai City Commercial Bank CD017	988,217,000.00		11,783,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD018	49,810,850.00		189,150.00	50,000,000.00	
17 Weihai City Commercial Bank CD019	1,693,958,200.00		6,041,800.00	1,700,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
17 Weihai City Commercial Bank CD020	697,512,200.00		2,487,800.00	700,000,000.00	
17 Weihai City Commercial Bank CD023	139,436,080.00		563,920.00	140,000,000.00	
17 Weihai City Commercial Bank CD024	497,953,500.00		2,046,500.00	500,000,000.00	
17 Weihai City Commercial Bank CD025	49,796,600.00		203,400.00	50,000,000.00	
17 Weihai City Commercial Bank CD026	1,949,182,000.00		50,818,000.00	2,000,000,000.00	
17 Weihai City Commercial Bank CD027	996,030,000.00		3,970,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD028	395,366,000.00		4,634,000.00	400,000,000.00	
17 Weihai City Commercial Bank CD029	593,049,000.00		6,951,000.00	600,000,000.00	
17 Weihai City Commercial Bank CD031	99,657,200.00		342,800.00	100,000,000.00	
17 Weihai City Commercial Bank CD032	988,418,000.00		11,582,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD033	692,580,700.00		7,419,300.00	700,000,000.00	
17 Weihai City Commercial Bank CD034	405,553,550.00		4,446,450.00	410,000,000.00	
17 Weihai City Commercial Bank CD035	1,494,921,000.00		5,079,000.00	1,500,000,000.00	
17 Weihai City Commercial Bank CD036	1,216,372,830.00		13,627,170.00	1,230,000,000.00	
17 Weihai City Commercial Bank CD037	296,746,500.00		3,253,500.00	300,000,000.00	
17 Weihai City Commercial Bank CD038	996,614,000.00		3,386,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD039	1,694,133,300.00		5,866,700.00	1,700,000,000.00	
17 Weihai City Commercial Bank CD040	498,274,500.00		1,725,500.00	500,000,000.00	
17 Weihai City Commercial Bank CD041	996,711,000.00		3,289,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD042	996,662,000.00		3,338,000.00	1,000,000,000.00	
17 Weihai City Commercial Bank CD043	119,582,280.00		417,720.00	120,000,000.00	
17 Weihai City Commercial Bank CD044	3,459,036,000.00		40,964,000.00	3,500,000,000.00	
17 Weihai City Commercial Bank CD045	298,755,900.00		1,244,100.00	300,000,000.00	
17 Weihai City Commercial Bank CD046	197,829,800.00		2,170,200.00	200,000,000.00	
17 Weihai City Commercial Bank CD047	2,967,081,000.00		32,919,000.00	3,000,000,000.00	
17 Weihai City Commercial Bank CD048	1,018,622,620.00		11,377,380.00	1,030,000,000.00	
17 Weihai City Commercial Bank CD049	1,305,354,600.00		14,645,400.00	1,320,000,000.00	
17 Weihai City Commercial Bank CD050	1,977,518,000.00		22,482,000.00	2,000,000,000.00	
17 Weihai City Commercial Bank CD051	1,145,701,300.00		4,298,700.00	1,150,000,000.00	
17 Weihai City Commercial Bank CD053	1,046,238,900.00		3,761,100.00	1,050,000,000.00	

Bond name	Issued in current year	Interest on Par value	Amortization	Repaid in current year	Closing balance
2016 super short financial		11,476,164.38		500,000,000.00	
1401 medium-term notes		201,000,000.00			3,000,000,000.00
1402 medium-term notes		127,500,000.00			2,500,000,000.00
201501 medium-term notes		115,250,000.04			2,500,000,000.00
16 Lu High-speed MTN001		88,250,000.00			2,500,000,000.00
201601 Corporate bond		83,000,000.04			2,500,000,000.00
17 Lu High-speed MTN003	2,500,000,000.00	31,062,500.01			2,500,000,000.00
2017 Exchangeable Corporate Bonds	2,500,000,000.00	28,333,333.36			2,500,000,000.00
12 Lu High-speed bond		114,400,000.00			2,000,000,000.00
07 Lu High-speed bond		87,750,000.00			1,500,000,000.00
17 Lu High-speed MTN004	1,500,000,000.00	6,775,000.00			1,500,000,000.00
06 Lu High-speed bond		41,000,000.00			1,000,000,000.00
2015 Corporate bond		36,700,000.00			1,000,000,000.00
16 Lu High-speed MTN003		36,000,000.00			1,000,000,000.00
17Lu High-speed MTN001	1,000,000,000.00	28,525,000.00			1,000,000,000.00
201701 Corporate bond	970,000,000.00	31,573,500.03			970,000,000.00
201702 Corporate bond	530,000,000.00	18,205,499.97			530,000,000.00
09 Lu High-speed bond		3,450,000.00			75,000,000.00
China Life Insurance Claims Plan		224,416,315.41	1,500,000,000.00	1,500,000,000.00	
China Life Insurance Claims Plan			1,050,000,000.00	1,050,000,000.00	
12 medium-term note		36,824,999.99		1,000,000,000.00	
Total	84,454,383,014.90	1,805,284,547.03	3,374,568,439.38	71,090,000,000.00	72,096,813,334.82

note 52 Long-term payables

The top 5 in the closing balance:

Items	Closing balance	Opening balance
Total	5,345,393,997.69	5,146,908,680.63
Including: 1. Accrued financial lease outlay	4,730,568,473.55	4,463,982,855.49
2. Shandong Kenli Petrochemical Group	10,275,000.00	8,050,000.00
3. Payable finance lease deposit	474,405,600.00	179,200,600.00
4. Henan Railway Group Co., Ltd.	20,000,000.00	20,000,000.00
5. Binzhou Taiyu Wheat Industry Co., Ltd.	33,385,216.44	19,775,000.00

note 53 Long term employee benefits payable

Items	Opening balance	Increase	Decrease	Closing balance
I.post-employment welfare- net debt of defined benefit plans				
II. Termination welfare	55,361,736.92	4,777,198.92	12,611,689.20	47,527,246.64
III.Other long-term welfare				
Total	55,361,736.92	4,777,198.92	12,611,689.20	47,527,246.64

note 54 Special payable

The top 5 of the closing balance:

Items	Opening balance	Increase	Decrease	Closing balance
Total	308,005,649.57	54,546,075.00	17,401,997.46	345,149,727.11
Including: 1. Funds of Jinan-laiwu Highway project construction	294,000,000.00			294,000,000.00
2. Land compensation	-	54,546,075.00	17,401,997.46	37,144,077.54
3. Grant for dedicated connection and upgrading and reconstruction of information system of state-owned assets supervision and administration of Shandong Province Finance Bureau	785,649.57			785,649.57
4. Appropriation for the Westward Transfer Project of Yiyang Railway	13,170,000.00			13,170,000.00
5. Human resources programs	50,000.00			50,000.00

note 55 Accrued liabilities

Items	Closing balance	Opening balance
Pending litigation	71,789,578.26	71,659,050.49
the loss contract to be executed	2,306,799.73	42,364,075.78
Total	74,096,377.99	114,023,126.27

1) Shandong Lu Grain Trading Co., Ltd. sued the subsidiary of the Company in 2016 for violation of the sunflower seed sale contract. In July 2016, Shandong Higher People's Court made [2014] Lu Shang Chu Zi No. 70 civil judgment, and the verdict ordered the company to double the return of Lu Group deposit, The Company appealed to the Supreme People's Court. And the case is currently in the second trial stage. By the principle of prudence, the Company has recognized the liability of RMB 63.4480 million for the estimated liabilities of RMB 50.9710 million after deducting the amount of RMB 12.4770 million which is owed by the other party.

2) The Company's wholly-owned subsidiary, Shandong High-speed Cultural Media Co., Ltd. (hereinafter referred to as "Cultural Media Company") sued Qingdao Yunfeng Advertising Co., Ltd. (Yunfeng Company) in 2017 in respect of the lease contract. On November 17, 2017, the Qingdao City North District People's Court awarded Yunfeng Company with a compensation of RMB 393,000. The Company did not accept the first instance ruling and appealed to Qingdao Intermediate Court of Shandong Province. As of now, it has not yet completed the trial and confirmed the estimated debt of RMB 393.00 thousand

3) Beijing Lutong Rainbow Media Co., Ltd. Shandong Branch (hereinafter referred to as Lutong Media) sued cultural media company in 2017 for lease contract disputes. In November 2017, the Jinan Intermediate People's Court of Shandong Province ruled that the cultural media refunded Lutong Media. The lease fee is 8.82 million yuan, and related liquidated damages are paid. The company did not accept the ruling of the first instance and appealed to the Shandong Provincial Higher People's Court. As of yet, the company has not completed the trial and confirmed the estimated liabilities of RMB 12,786.5 thousand.

4) Ningxia Yintie Pingyi Industrial Co., Ltd. (hereinafter referred to as Pingyi Company) sued Shandong Ruitong Logistics Co., Ltd. (hereinafter referred to as "Ruitong Company"), a subsidiary of the Company, in May 2016 for disputes arising from the sale and purchase contract. On November 28, 2017, the first-instance judgment of the company repaid the total amount of RMB 6,351,200 for the arrears and interest of Pingyi Company. The company did not accept the ruling of the first instance and appealed to the Ningxia Hui Autonomous High Court. As of now, it has not yet completed the trial and confirmed the estimated liabilities of 6.351 million yuan.

5) Longkou Jinhui Gold Co., Ltd. (hereinafter referred to as "Gold Company") sued the company's subsidiary, Shandong Dalailong Railway Co., Ltd. (hereinafter referred to as "Dalailong Co., Ltd.") in 2017 for the Dalailong Railway's overburdened mining area. ". On December 27, 2017, Longkou City People's Court of Shandong Province decided that Dalailong Company compensated the gold company with 1.287 million yuan. The company did not accept the ruling of the first instance and appealed to the Intermediate Court of Yantai City, Shandong Province. As of yet, it has not completed the trial and confirmed the estimated liabilities of 1.287 million yuan.

6) The loss contract to be executed is a loss that will be incurred by the company's subsidiary, Shandong Marine Singapore, which is expected to continue to perform its contractual obligations.

Note56 Deferred revenue

Items	Opening balance	Increase	Decrease	Closing balance
Special funds for engineering construction project of Weifang-Rizhao high speed Binhai connection line of Finance Department	200,000,000.00			200,000,000.00

Items	Opening balance	Increase	Decrease	Closing balance
the beltway connecting line project of Shandong high - speed Jinan southeast export project construction management office		924,000,000.00		924,000,000.00
The subsidy made by Shouguang municipal government to office buildings of Yiyang management agency	660,452,327.12		38,271,563.94	622,180,763.18
Demolition compensation		320,000,000.00		320,000,000.00
Financial discount		60,000,000.00	4,596,442.42	55,403,557.58
Government incentive program		11,135,303.00		11,135,303.00
Agricultural park pilot project	3,440,000.00	2,160,000.00		5,600,000.00
Special funds for energy conservation and emission reduction		3,469,375.00	915,000.00	2,554,375.00
Enterprise agglomeration support gold		5,000,000.00	3,000,000.00	2,000,000.00
Shandong high-speed group logistics platform grant	3,159,239.15		642,557.16	2,516,681.99
Allowance for purchasing dumping trailers	2,081,615.43		345,858.96	1,735,756.47
Oil branch back to points activities		1,007,217.20		1,007,217.20
Special funds for environmental protection construction technology and industry research and development	700,000.00			700,000.00
Jiqing High speed Road Reconstruction and Extension Project Xiaoxu Interchange to Zero offset construction Compensation		50,000,000.00		50,000,000.00
High-tech Management Committee subsidy		11,000,000.00		11,000,000.00
Second Ranch Cows' standardization breeding subsidies		1,700,000.00	40,927.83	1,659,072.17
Information company R&D project subsidies		290,200.00		290,200.00
National Agricultural Comprehensive Development Modern Agricultural Park Pilot Project Subsidy Fund		400,000.00		400,000.00
Special subsidies for science and technology projects		4,500,000.00		4,500,000.00
others	293,095.10	4,941,225.80	22,018.99	5,212,301.91
Total	2,149,126,749.52	120,715,483.08	120,715,483.08	2,205,824,881.84

Information note about the governmental subsidy:

Items	Opening balance	Newly increased subsidy amount in the current period	Non-operating income of the current period	Other changes	Closing balance	Related to assets/ income
Special funds for engineering construction project of Weifang-Rizhao high speed Binhai connection line of Finance Department	200,000,000.00		939,939.47		199,060,060.53	Related to assets
the beltway connecting line project of Shandong high - speed Jinan southeast export project construction management office	924,000,000.00				924,000,000.00	Related to assets
Due diligence subsidy		1,000,000.00	336,200.00		663,800.00	Related to Income
The subsidy made by Shouguang municipal government to office buildings of Yiyang management agency	622,180,763.18		21,029,376.60		601,151,386.58	Related to assets
Demolition compensation	320,000,000.00				320,000,000.00	Related to assets
Financial discount	55,403,557.58	30,000,000.00	30,387,577.58		55,015,980.00	Related to assets
Government incentive program	11,135,303.00		247,596.19		10,887,706.81	Related to assets
Agricultural park pilot project	5,600,000.00	1,000,000.00			6,600,000.00	Related to assets
Special funds for energy conservation and emission reduction	2,554,375.00			457,500.00	2,096,875.00	Related to assets
Enterprise agglomeration support gold	2,000,000.00				2,000,000.00	Related to income
Shandong high-speed group logistics platform grant	2,516,681.99		642,557.16		1,874,124.83	Related to assets
Allowance for purchasing dumping trailers	1,735,756.47		345,858.96		1,389,897.51	Related to assets
Special funds for environmental protection construction technology and industry research and development	700,000.00				700,000.00	Related to assets
Jiqing High speed Road Reconstruction and Extension Project Xiaoxu Interchange to Zero offset construction Compensation		50,000,000.00			50,000,000.00	Related to assets
High-tech Management Committee subsidy		11,000,000.00			11,000,000.00	Related to assets
Second Ranch Cows' standardization breeding subsidies		1,700,000.00	40,927.83		1,659,072.17	Related to assets
Information company R&D project subsidies		290,200.00			290,200.00	Related to assets
National Agricultural Comprehensive Development Modern Agricultural Park Pilot Project Subsidy Fund		400,000.00			400,000.00	Related to assets

Items	Opening balance	Newly increased subsidy amount in the current period	Non-operating income of the current period	Other changes	Closing balance	Related to assets/ income
Special subsidies for science and technology projects		4,500,000.00			4,500,000.00	Related to assets
others	293,095.10	4,941,225.80	22,018.99		5,212,301.91	Related to assets

Note57 Other non-current liabilities

Items	Closing balance	Opening balance
Jiaxing Binhai Holding Group Co., Ltd. Investment Loan	32,000,000.00	32,000,000.00
Rental fees collected in advance	254,384,192.92	267,114,955.33
Franchise rights project of Qingdao Bay Bridge	274,692,781.11	284,961,781.11
Insurance Protection Fund	4,103,080.04	
Others	6,164,723.89	
Total	571,344,777.96	584,076,736.44

note 58 Paid-in capital

The names of the investors	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Total	20,056,415,293.29	100.00			20,056,415,293.29	100.00
National capital	20,056,415,293.29	100.00			20,056,415,293.29	100.00

note 59 Other equity instruments

Outstanding financial instruments	Opening balance		Increase		Decrease		Closing balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual Capital Securities		12,500,000,000.00		7,600,000,000.00				20,100,000,000.00
Total		12,500,000,000.00		7,600,000,000.00				20,100,000,000.00

note 60 Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Capital (Share capital) premium	1,016,716,407.92	1,339,268,811.76		2,355,985,219.68
Other capital reserves	6,732,117,365.16	4,019,597,418.53	273,359,099.28	10,478,355,684.41

Items	Opening balance	Increase	Decrease	Closing balance
Total	7,748,833,773.08	5,358,866,230.29	273,359,099.28	12,834,340,904.09
Including: state-owned exclusive capital reserve				

The changes in the capital reserve are as follows:

1. According to Luzheng [2017] No. 169, Lu Guotuzihan [2017] No. 311, Lu Guo Asset Rights [2017] No. 47, Shandong High-speed Group Co., Ltd. allocated state-owned allocated land use rights to capitalize and increase state capital., The approval of the appraised value of the land assessment was included in the capital reserve, resulting in an increase of 3,281,920,263.00 yuan in capital reserve;

2. On August 8, 2016, the Shandong Provincial People's Government issued the Notice on Printing and Distributing the Implementation Plan for the Unified Supervision of State-Owned State-owned Assets issued by Luzheng Ban [2016] No. 39, The state-owned shares of Shandong Provincial Resources Corporation, Shandong Yingtai Company, Shandong Jihua Trading Company. Shandong Sendi Landscaping Engineering Co., Ltd and Shandong Municipal Engineering Construction Corporation were transferred to the Company free of charge, Due to negative net assets in transfer units, resulting in a decrease of RMB 273,248,165.28 in capital reserve.

3. The company paid for the original Jingfu project, resulting in a decrease in capital reserves of RMB 110,934.00.

4. Due to Shandong High-speed Rail Equipment Materials Co., Ltd, a wholly-owned subsidiary of the company, is controlled by Shandong High-speed Rail Transportation Group Co., Ltd. minority shareholders' capital increase, the combined capital reserve increased by RMB 45,717,053.91 owing to changes in the proportion of equity.

5. Shandong Railway Construction Investment Co., Ltd., the company's holding subsidiary, increased capital due to minority shareholders this year, resulting in an increase of 29,776,030.10 yuan in capital accumulation at the merger level due to a change in the proportion of equity.

6. Shandong International (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the company's wholly-owned subsidiary Shandong Rural Economic Development and Investment Co., Ltd., replaced 500 million share of China's Shandong High-speed Financial Group valued of HK \$1.5 billion with its 40% stake in Shandong High-speed (BVI) International Holdings Co., The disposal proceeds were credited to the capital reserve account, resulting in an increase in capital reserve of 530,585,085.77 yuan;

7. The Company disposed of 1.99% of Shandong High-speed Road&Bridge Group Co., Ltd. during the current period. The disposal income was credited to the capital reserve account, resulting in an increase in capital reserve of RMB 57,792,963.61.

8. Qingdao Huatian Hotel, a wholly-owned subsidiary of the Company, adjusted capital reserve due to the appreciation of the company during the restructuring process, resulting in an increase of RMB 86,507,300.00 in capital reserve

9. The subsidiaries of the Company, Taidong Highway, Jilai Intercity Highway, and Longqing Highway have increased their capital by minority shareholders, and the parent company's shareholding according to the proportion of the company's shares resulted in an increase of RMB 1,290,800,810.36 in capital reserve (capital premium)

10. The company's other miscellaneous adjustments, such as the tertiary-level company Shandong High-speed Chongqing Development Co., Ltd., share-level changes, together led to an increase of 35,766,723.54 yuan in capital reserves.

note 61 Special reserve

Items	Opening balance	Increase	Decrease	Closing balance	Remarks
Safety production costs	155,127,660.51	143,445,067.80	136,512,347.22	162,060,381.09	
Total	155,127,660.51	143,445,067.80	136,512,347.22	162,060,381.09	

note 62 Surplus reserves

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,090,703,720.32	46,355,562.93	-	1,137,059,283.25
Total	1,090,703,720.32	46,355,562.93	-	1,137,059,283.25

note 63 General risk provision

Items	Closing balance	Opening balance	Accruing proportion (%)
General risk provision	893,161,152.86	737,762,978.19	
Total	893,161,152.86	737,762,978.19	

note 64 Undistributed profit

Items	Current period	Prior period
Opening balance of this period	7,796,221,945.30	6,998,456,321.34
Increase in this period	2,812,223,371.91	1,672,717,347.82
Including: transfer-in from the current net profit	2,812,223,371.91	1,672,717,347.82
Other adjustment factors		
Decrease in this period	1,011,934,937.70	874,951,723.86
Including: the withdrawal of surplus reserves in this period	46,355,562.93	36,306,715.79
The withdrawal of general risk preparation in this period	155,398,174.67	248,683,621.48
Cash dividends distributed in this period	810,181,200.10	587,316,766.72
Transfer to paid-in capital		
Other decrease		2,644,619.87
Closing balance of this period	9,596,510,379.51	7,796,221,945.30

note 65 Operating income and operating costs

1. Listed by category

Items	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
1. Subtotal of main business	55,921,637,296.25	45,666,332,874.34	50,119,072,380.09	41,140,668,190.53
Construction	6,547,306,464.77	5,591,901,361.77	4,347,179,384.50	3,273,968,914.98
Railway freight transportation	3,316,271,169.07	2,861,427,405.41	1,953,396,312.94	1,836,459,654.01
Road and bridge toll	11,536,249,319.34	5,299,235,246.93	10,768,114,608.51	4,549,528,508.54
Ocean transportation	2,601,945,943.77	2,059,649,546.62	1,861,909,864.58	1,695,245,022.24
Real estate sales	2,017,441,233.28	1,695,317,622.05	2,887,599,119.25	2,728,638,380.12
international trade	15,267,818,048.68	15,200,744,990.88	14,922,927,465.69	14,814,272,088.51
Domestic Trade	12,174,741,115.21	11,490,232,537.71	11,827,747,096.99	11,270,906,545.29
Others	2,459,864,002.13	1,467,824,162.97	1,550,198,527.63	971,649,076.84
2. Subtotal of other business	617,282,417.15	202,099,807.71	418,338,365.49	204,951,123.70
Marketing materials and accessories	2,614,307.55	1,912,744.47	16,646,439.52	10,282,161.25
Rental business	112,849,139.88	44,923,904.95	123,026,227.04	19,947,012.53
Agency business	9,746,335.42	4,175,409.80	15,211,080.73	10,381,748.78
Foreign aid project	-	-	36,075,088.27	1,290,789.95
Others	492,072,634.30	151,087,748.49	227,379,529.93	163,049,411.19
Total	56,538,919,713.40	45,868,432,682.05	50,537,410,745.58	41,345,619,314.23

2. Details of the top 5 current operating income in the construction contract

Contract Items	Total contract price	Total contract cost	Completion progress (%)	Accumulatively recognized contract income	Accumulatively recognized contract cost
Qingdao Bay Bridge Jiaozhou Connection Line Project	722,560,994.08	604,589,573.78	34.67	225,795,875.84	209,589,761.18
Jiaozuo-Xiangyang Yellow River Bridge and Connecting Line Project IV Contract Project	986,906,448.00	891,276,970.47	29.82	233,672,314.06	265,741,078.11
S314 line GDXJ01 Project for the Continuation of the Construction of Dunhuang Highway from Guazhou to Dunhuang	199,271,711.00	166,066,995.46	99.00	175,051,398.27	164,402,189.17
Qingdao Lingang Economic Development Zone Venture Factory Project	591,158,084.45	510,769,613.27	70.76	441,729,553.38	361,435,918.76
Penglai-Qixia Highway No. 6 Project	170,498,900.00	143,915,902.23	99.00	138,214,447.79	142,482,262.36

Contract Items	Total contract price	Total contract cost	Completion progress (%)	Accumulatively recognized contract income	Accumulatively recognized contract cost
Total	2,670,396,137.53	2,316,619,055.21		1,214,463,589.34	1,143,651,209.58

Continued

Contract Items	Accumulatively recognized gross profit	Amount already settled	Cumulative receipts	Contract income recognized in this period	Contract cost recognized in this period
Qingdao Bay Bridge Jiaozhou Connection Line Project	16,206,114.66	214,234,142.80	243,330,921.30	225,795,875.84	209,589,761.18
Jiaozuo-Xiangyang Yellow River Bridge and Connecting Line Project IV Contract Project	-35,284,027.09	144,144,042.35	290,618,030.00	214,352,102.50	248,586,173.89
S314 line GDXJ01 Project for the Continuation of the Construction of Dunhuang Highway from Guazhou to Dunhuang	10,649,209.10	157,852,767.57	111,759,482.81	158,445,430.35	151,200,444.67
Qingdao Lingang Economic Development Zone Venture Factory Project	52,848,942.57	374,735,089.88	269,113,545.88	152,089,274.82	134,894,927.71
Penglai-Qixia Highway No. 6 Project	-4,267,814.57	128,238,273.87	131,262,412.00	132,213,689.95	136,626,994.58
Total	40,152,424.67	1,019,204,316.47	1,046,084,391.99	882,896,373.46	880,898,302.03

note 66 Net interest income

Items	Amount for the current period	Amount for the prior period
I. Interest income	8,370,267,406.61	6,840,781,421.55
1. Loans and advances	3,429,094,878.23	3,304,508,678.40
Of which: personal loans and advances	491,225,824.88	207,611,061.56
Company loans and advances	2,733,714,852.39	2,808,662,206.54
Discounted bills	204,154,200.96	288,235,410.30
2. Interest income on bonds and others	3,998,290,913.90	2,353,524,232.45
3. Buying back the sale of financial assets;	257,644,660.35	807,479,793.38
4. Store the central bank	267,078,320.02	246,594,350.44
5. Save the same industry	30,341,992.31	65,119,595.45
6. Rental interest income	370,623,287.32	61,663,968.08
7. Disassemble funds	17,193,354.48	1,890,803.35
II. Interest expense	4,686,209,050.49	3,466,246,890.67
Absorb deposits	2,235,588,533.46	2,012,024,183.37
Interbank and other financial institutions	163,015,330.42	346,821,783.40

Items	Amount for the current period	Amount for the prior period
Discounted	41,850,085.68	117,704,453.01
Bonds payable	1,201,534,090.96	589,529,817.99
Financial Assets Sold for Repurchase	741,529,088.55	324,341,983.96
Borrow from the central bank	70,644,822.93	43,928,150.07
Borrow funds	232,047,098.49	31,896,518.87
III. Net interest income	3,684,058,356.12	3,374,534,530.88

note 67 Earned premium

Items	Amount for the current period	Amount for the prior period
Premium income	1,496,567,092.97	1,306,681,801.45
Re-premium income	28,435,211.91	36,873,467.00
Less: the ceded-out premium	84,663,918.36	88,880,112.82
Less: withdraw of unearned premium reserve	48,240,271.47	72,981,098.00
Earned premium	1,392,098,115.05	1,181,694,057.63

note 68 Net handling charges and commissions income

Items	Amount for the current period	Amount for the prior period
I . Amount incurred in Weihai City Commercial		
1. Handling charges and commissions income	332,233,748.13	376,334,606.04
—Charges of settlement and liquidation	30,040,881.35	31,890,894.23
—Charges of agency business	66,807,651.52	153,506,812.05
—Charges of notes receivable business	30,242,601.11	41,748,329.97
—Charges of bank cards	10,463,156.86	10,989,495.70
—Charges of Consultancy and consultation	107,826,409.63	79,827,927.31
—Commissions of custody and other entrusted	5,725,702.04	10,660,985.58
—Other	81,127,345.62	47,710,161.20
2. Handling charges and commissions expenses	99,522,117.45	39,458,672.66
-Expenses of settlement charges	6,975,249.78	6,367,825.21
-Expenses of bank card charges	20,926,618.43	19,638,443.68
-Other expenses	71,620,249.24	13,452,403.77
3. Net handling charges and commissions income	232,711,630.68	336,875,933.38
II . Amount incurred in Taishan Property and Casualty Insurance Company Limited in this year:		
Handling charges and commissions expenses	167,866,632.06	150,930,607.43

Items	Amount for the current period	Amount for the prior period
—Enterprise property insurance	5,688,338.31	5,926,767.94
—Property insurance for home	198,816.86	121,039.71
—Motor vehicle insurance	144,481,951.06	124,275,579.77
—Project insurance	3,922,849.99	5,060,360.15
—liability insurance	2,943,877.86	7,866,674.76
—Credit guarantee insurance	101,395.05	2,000.00
—vessel insurance	407,367.90	268,481.19
—Cargo transportation insurance	292,241.97	388,491.85
—Special risk insurance	9,957.11	72,751.23
—Short-term health insurance	1,050,781.23	633,916.57
—Accidental injury insurance	8,769,054.72	6,314,544.26
Total net handling charges and commissions income	64,844,998.62	185,945,325.95

note 69 Net payments for insurance claims

1. Compensation expenses listed according to insurance contracts

Items	Amount for the current period	Amount for the prior period
Compensation expenses	787,802,015.34	675,571,664.79
Reinsurance expense	21,206,291.93	26,236,221.37
Subtotal	809,008,307.27	701,807,886.16
Less: amortized compensation expenses	33,065,112.92	41,769,320.56
Total	775,943,194.35	660,038,565.60

note 70 Net provision for insurance contracts

1. Withdrawal of policy reserve listed according to insurance contracts

Items	Amount for the current period	Amount for the prior period
Withdrawal of outstanding loss reserve	59,964,760.70	59,958,293.51
- Original insurance contracts	70,166,548.84	65,826,221.27
- Re-insurance contracts	-10,201,788.14	-5,867,927.76
Total	59,964,760.70	59,958,293.51

2. Withdrawal of outstanding loss reserve of original insurance contracts listed according to constitution contents

Withdrawal of outstanding loss reserve	Amount for the current period	Amount for the prior period
The outstanding loss reserve for which has happened and has been reported	37,758,769.85	25,139,461.06
The outstanding loss reserve for which has happened and has not been reported	25,224,981.94	32,751,046.44
Claim expense reserve	7,182,797.05	7,935,713.77
Total	70,166,548.84	65,826,221.27

3. Withdrawal of outstanding loss reserve of Re-insurance contracts listed according to constitution contents

Items	Amount for the current period	Amount for the prior period
The outstanding loss reserve for which has happened and has been reported	-6,273,637.00	6,552,461.46
The outstanding loss reserve for which has happened and has not been reported	-3,505,227.69	-11,177,753.98
Claim expense reserve	-422,923.45	-1,242,635.24
Total	-10,201,788.14	-5,867,927.76

note 71 Amortized reserve provision for insurance contract

Items	Amount for the current period	Amount for the prior period
Amortized reserve for outstanding losses	34,591,959.85	3,099,266.52
- Original insurance contracts	34,637,052.61	3,130,779.06
- Re-insurance contracts	-45,092.76	-31,512.54
Total	34,591,959.85	3,099,266.52

note 72 Withdrawal of premium reserve

Items	Amount for the current period	Amount for the prior period
Crop insurance	-1,369,037.73	8,595,755.94
Aquaculture insurance	92,122.05	226,132.17
Forest insurance	332,512.30	57,769.08
Total	-944,403.38	8,879,657.19

note 73 Reinsurance expenses

Items	Amount for the current period	Amount for the prior period
Reinsurance expenses	-11,950,647.48	-21,024,189.22
Total	-11,950,647.48	-21,024,189.22

note 74 Selling expenses

Items	Amount for the current period	Amount for the prior period
1. Packing charges	2,502,786.69	1,272,166.13
2. Transportation charges	87,951,165.07	39,587,204.57
3. Handling charges	1,416,400.76	760,827.95
4. Charges for storage and preservation	3,851,963.18	7,077,006.51
5. Insurance expenses	497,642.77	333,555.93
6. Exhibition fees	14,357,437.05	11,377,947.20
7. Advertising fees	13,577,402.71	21,291,174.94
8. Sales service fees	19,853,240.14	16,622,713.81
9. Employee salaries	1,231,787,166.90	1,113,199,263.96
10. Operational funds	424,370,115.34	366,798,520.42
11. Commission sale charges	28,734,239.92	10,512,988.82
12. Depreciation expenses	81,001,258.25	75,232,135.39
13. Repair charges	5,640,402.72	2,359,688.71
14. Sample and product losses	-9,146,390.92	-6,389,955.13
15. Others	495,409,953.03	410,015,828.71
Total	2,401,804,783.61	2,070,051,067.92

note 75 Administrative expenses

Items	Amount for the current period	Amount for the prior period
1. Employee salaries	1,432,645,627.43	1,386,528,750.12
2. Insurance expenses	570,929.37	191,873.59
3. Depreciation expenses	132,264,304.28	117,537,595.77
4. Repair charges	18,177,358.96	14,614,984.95
5. Amortization of intangible assets	31,583,136.40	25,339,172.90
6. Inventories losses	-15,304,991.93	-18,180,043.53
7. Business entertainment expenses	72,284,886.98	57,330,532.58
8. Travel expenses	50,642,522.10	43,270,748.12
9. Office expenses	29,076,554.99	23,314,176.87
10. Conference expenses	3,738,548.37	3,600,824.79
11. Legal costs	2,570,277.31	6,420,818.92
12. Intermediary organs	103,418,590.36	100,019,317.51

Items	Amount for the current period	Amount for the prior period
Including: annual final accounts audit fee	6,969,709.65	9,129,465.32
13. Consulting fees	101,784,650.20	26,740,366.43
14. Research and development expenses	223,620,406.20	58,316,649.41
15. Technology transfer expenses	1,988,469.73	234,114.72
16. Board of directors' expenses	501,889.47	265,728.06
17. Others	421,833,658.26	500,868,522.47
Total	2,611,396,818.48	2,346,414,133.68

note 76 Financial expenses

Items	Amount for the current period	Amount for the prior period
Interest expense	6,317,337,429.31	5,619,110,796.80
Less: Interest income	1,392,507,730.03	1,245,203,538.30
Foreign exchange gains or losses	8,921,946.27	-56,610,281.83
Others	249,209,183.07	396,046,321.51
Total	5,182,960,828.62	4,713,343,298.18

note 77 Assets impairment loss

Items	Amount for the current period	Amount for the prior period
Bad debt loss	326,662,209.19	330,001,542.78
Impairment loss of inventory	144,047,057.11	72,565,630.88
Impairment loss of available-for-sale financial assets	11,638,056.61	650,392.72
Impairment loss of long-term equity investment		500,000.00
Impairment loss of fixed assets	-776,614.63	4,095,955.48
Impairment loss of Construction materials	138,162.37	
Impairment loss of Construction in Process	10,515,833.32	
Impairment loss of intangible assets	25,340,596.74	
Other impairment loss	461,726,756.65	518,688,639.37
Total	979,292,057.36	926,502,161.23

note 78 Income from of non-current assets

Items	Amount for the current period	Amount for the prior period
Gains from disposal of fixed assets	18,574,404.40	10,610,642.76
reduce: Loss from disposal of fixed assets	39,607,460.29	24,331,925.40
Total	-21,033,055.89	-13,721,282.64

note 79 Change in Fair Value of assets

Sources of change in Fair Value of assets	Amount for the current period	Amount for the prior period
Financial assets measured as per fair value whose variation is calculated into profit and loss	-111,407,614.16	-85,253,842.80
Including: fair value gains from derivative financial instruments		-703,240.00
Total	-111,407,614.16	-85,253,842.80

note 80 Investment income

Sources of investment income	Amount for the current period	Amount for the prior period
Income from long-term equity investment calculated by using equity method	245,790,483.83	103,468,174.49
Investment income from disposal of long-term equity investment	856,673,223.00	996,964,221.74
Investment income of financial assets measured as per fair value whose variation is calculated into current profit and loss within the holding period	13,410,733.03	10,546,715.70
Investment income from disposal of financial assets measured as per fair value whose variation is calculated into current profit and loss.	947,036,539.20	77,595,983.01
Investment income from held-to-maturity investment within the holding period	13,881,077.69	47,146,232.59
Investment income from available-for-sale financial assets within the holding period	561,848,464.77	320,996,238.09
Investment income from disposal of available-for-sale financial assets	10,819,885.36	19,310,144.22
Others	180,341,232.88	410,852,227.33
Total	2,829,801,639.76	1,986,879,937.17

note 81 Other income

Items	Amount for the current period	Amount for the prior period
Demolition compensation	17,401,997.46	
Honghe Branch Toll Revenue (Honghe Section)	120,482,683.72	
City foreign economic and trade development guidance funds	2,012,500.00	520,000.00
Special funds for central foreign economy and trade	244,300.00	6,250,000.00
Special funds for foreign economic and technological cooperation		880,900.00
Financial subsidies, award funds	390,046,800.98	446,474,621.93
Refund of taxes	617,244.23	4,846,776.48
Provincial Service Outsourcing Development Funds	2,470,800.00	478,200.00
Economic enterprise rewards		50,834,246.28
Qingdao Bay Bridge Franchise Project	10,092,100.00	9,373,600.00

Items	Amount for the current period	Amount for the prior period
Jiaozhou Bay Highway Compensation Income	89,616,639.27	87,040,000.00
Jinan Open Economy Development Guidance Fund		1,064,845.05
Total	632,985,065.66	607,763,189.74

note 82 Non-operating income

Items	Amount for the current period	Amount for the prior period
1. Litigation compensation	52,077,015.82	78,024,017.32
2. Governmental grants	27,941,131.41	652,132,289.74
3. Gains from debt restructuring	628,710.38	60,339,467.75
4. Income from highway assets and highway property compensations	30,253,529.76	39,023,022.39
5. Gains from inventory profit	5,315.46	27,587.86
6. Equity acquisition	138,311,461.24	
7. Others	156,500,446.66	82,930,817.89
Total	405,717,610.73	912,477,202.95

Details of governmental grants:

Items	Amount for the current period	Amount for the prior period	Amount for the prior period(Same caliber)
City foreign economic and trade development guidance funds		520,000.00	
Special funds for central foreign economy and trade		6,250,000.00	
Special funds for economic and technological cooperation with foreign countries		880,900.00	
Financial grant, incentive funds	27,941,131.41	490,843,721.93	44,369,100.00
Refund of taxes		4,846,776.48	
Provincial service outsourcing development funds		478,200.00	
Award money of economic enterprises		50,834,246.28	
Franchise rights project of Qingdao Bay Bridge		9,373,600.00	
Jiaozhou Bay Highway Compensation Income		87,040,000.00	
Jinan open economy to guide the development of funds		1,064,845.05	
Total	27,941,131.41	652,132,289.74	44,369,100.00

note 83 Non-operating expenses

Items	Amount for the current period	Amount for the prior period
1.Losses from disposal of non-current assets	506,477,910.35	71,396,222.34
2.Loss from non-monetary asset exchange	4,114,605.09	
3.Expenditures of compensations, liquidated damages and penalties	19,867,173.16	26,581,920.22
4.Non-recurring loss	74,512.15	
5.Make donations	933,447.00	10,965,306.48
6.Others	31,963,673.92	24,997,506.06
Total	563,431,321.67	133,940,955.10

note 84 Income tax expense

Items	Amount for the current period	Amount for the prior period
Income tax expense calculated according to the tax law and relevant provisions	2,461,332,927.60	1,990,503,486.68
Adjustment of deferred tax income	-661,096,926.09	-112,025,047.90
Total	1,800,236,001.51	1,878,478,438.78

note 85 Other comprehensive income

1. All Items of other comprehensive incomes and the influence and transfer-in loss and profit conditions of their income taxes

Items	Amount for the current period		
	Pretax amount	Income tax	Net amount after tax
I .Other comprehensive income that can't be reclassified and calculated into profit and loss in the future			
1.Variation of net liability or net asset of re-measured defined benefit plans			
2.Share in the other comprehensive income of the invested unit that can't be reclassified and calculated into profit and loss during future fiscal period by using equity method			
II .Other comprehensive income that will be reclassified and calculated into profit and loss	-137,574,890.73	-27,372,896.29	-110,201,994.44
1. Share in the other comprehensive income of the invested unit that will be reclassified and calculated into profit and loss when complying with specified conditions during future fiscal period by using equity method	15,056,999.75		15,056,999.75
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			

Items	Amount for the current period		
	Pretax amount	Income tax	Net amount after tax
Subtotal	15,056,999.75		15,056,999.75
2.Profit or loss formed from the change of fair value of the available-for-sale financial assets	-109,491,585.14	-27,372,896.29	-82,118,688.86
Less: current transfer-in loss and profit of the other consolidated income transferred in last period	9,597,549.23		9,597,549.23
Subtotal	-119,089,134.38	-27,372,896.29	-91,716,238.09
3.The available-for-sale financial assets profits and loss held to maturity for re-classification			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
4.The effective part of the hedging gains or loss of cash flow			
The adjusted amount transferred in the original recognition amount of the hedged Items			
Less: current transfer-in loss and profit of the other consolidated income transferred in last period			
Subtotal			
5.Translation balance of foreign currency statement	-33,542,756.10		-33,542,756.10
Less: after-tax net amount of current transfer-in loss and profit of the other consolidated income transferred in last period	-		-
Subtotal	-33,542,756.10		-33,542,756.10
III. Other comprehensive income	-137,574,890.73	-27,372,896.29	-110,201,994.44

Continued:

Items	Amount for the prior period		
	Pretax amount	Income tax	Net amount after tax
I .Other comprehensive income that can't be reclassified and calculated into profit and loss in the future			
1.Variation of net liability or net asset of re-measured defined benefit plans			
2.Share in the other comprehensive income of the invested unit that can't be reclassified and calculated into profit and loss during future fiscal period by using equity method			
II .Other comprehensive income that will be reclassified and calculated into profit and loss	-195,839,092.20	-68643143.8	-127,195,948.40

Items	Amount for the prior period		
	Pretax amount	Income tax	Net amount after tax
1. Share in the other comprehensive income of the invested unit that will be reclassified and calculated into profit and loss when complying with specified conditions during future fiscal period by using equity method	-11,657,899.46	-	-11,657,899.46
Less: current transfer-in loss and profit of the other comprehensive income transferred in last period			
Subtotal	-11,657,899.46		-11,657,899.46
2. Profit or loss formed from the change of fair value of the available-for-sale financial assets	-274,572,575.18	-68,643,143.80	-205,929,431.39
Less: current transfer-in loss and profit of the other comprehensive income transferred in last period	45,516,567.47	-	45,516,567.47
Subtotal	-320,089,142.66	-68,643,143.80	-251,445,998.86
3. The available-for-sale financial assets profits and loss held to maturity for re-classification			
Less: current transfer-in loss and profit of the other comprehensive income transferred in last period			
Subtotal			
4. The effective part of the hedging gains or loss of cash flow	50,387,021.84		50,387,021.84
The adjusted amount transferred in the original recognition amount of the hedged Items	-		-
Less: current transfer-in loss and profit of the other comprehensive income transferred in last period	-		-
Subtotal	50,387,021.84		50,387,021.84
5. Translation balance of foreign currency statement	85,520,928.08		85,520,928.08
Less: after-tax net amount of current transfer-in loss and profit of the other comprehensive income transferred in last period	-		-
Subtotal	85,520,928.08		85,520,928.08
III. Other comprehensive income	-195,839,092.20	-68,643,143.80	-127,195,948.40

note 86 Consolidated statement of cash flow

1. Reconciliation of net profit to cash flow from operating activities:

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	4,855,031,896.19	3,380,449,180.77
Add: preparation for the impairment of assets	979,292,057.36	926,502,161.23

Supplementary information	Amount for the current period	Amount for the prior period
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	2,694,862,862.99	2,407,346,626.21
Intangible assets amortization	1,737,824,485.58	1,825,801,592.96
Long-term unamortized expenses amortization	385,462,649.27	273,804,090.01
Loss from disposal of fixed assets, intangible assets and other long term assets(benefit is shown in “-”)	21,033,055.89	-3,114,738.71
Loss from discarding of fixed assets(benefit is shown in “-”)	506,477,910.35	88,232,243.69
Fair value change loss (benefit is shown in “-”)	-111,407,614.16	85,253,842.80
Financial fee (benefit is shown in “-”)	6,401,263,165.12	5,619,110,796.80
Investment loss (benefit is shown in “-”)	-2,829,801,639.76	-1,986,879,937.17
Decrease of deferred tax assets (increase is shown in “-”)	-691,638,122.50	-74,835,723.15
Increase of deferred tax liability (decrease is shown in “-”)	48,401,828.15	-37,189,324.75
Decrease of inventories (increase is shown in “-”)	-1,517,091,873.26	-1,316,236,953.29
Decrease of operational receivables (increase is shown in “-”)	-20,856,724,189.07	8,219,460,456.98
Increase of operational payables (decrease is shown in “-”)	22,497,541,644.09	10,989,531,436.31
Others		
Net amount of cash flow generated in operating activities	14,120,528,116.24	30,397,235,750.69
2. Major investment and financing activities not involved cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under financial lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	23,598,301,666.60	27,221,836,859.36
Less: opening balance of cash	27,221,836,859.36	24,010,652,647.81
Add: Closing balance of cash equivalents	14,633,130,000.00	24,863,421,870.32
Less: opening balance of cash equivalents	24,863,421,870.32	19,961,520,532.17
Net addition values of cash and cash equivalents	-13,853,827,063.08	8,113,085,549.70

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I . Cash	23,598,301,666.60	27,221,836,859.36
Including: cash on hand	227,365,803.07	194,513,165.88

Items	Closing balance	Opening balance
Bank balances that can be used for payment at any time	16,882,540,111.21	19,689,926,645.64
Other cash and bank balances that can be used for payment at any time	428,130,330.02	1,177,996,839.20
Amounts deposited at the central bank that can be used for payment	3,728,477,687.35	3,372,699,803.55
Deposits in other banks	1,129,494,934.95	2,405,165,405.09
Payments about call Loan to Banks	1,202,292,800.00	381,535,000.00
II . Cash equivalents	14,633,130,000.00	24,863,421,870.32
Including: bond investment due within three months	14,633,130,000.00	24,849,215,473.05
III. Balance of cash and cash equivalents at the end of the period	38,231,431,666.60	52,085,258,729.68
Including: cash and cash equivalents of parent company or group, which use right is restricted for subsidiaries.		

note 87 Assets with restricted ownership and use right

Items	Closing balance	Restriction reason
Cash and cash equivalents	17,674,367,980.84	Margin and deposit of central bank reserve
Notes Receivable	125,083,500.00	Pledged loan
Inventory	456,064,128.60	Mortgage loan and Pledged loan
Trading financial assets	180,000,000.00	Pledges of financial assets sold for repurchase
Fixed assets	11,441,672,438.41	finance lease, Mortgage loan and Pledged loan
Intangible assets	36,200,860,222.43	Pledged loan
Construction in progress	8,636,643,529.34	Pledged loan
Long-term equity investment	2,084,125,603.33	Equity pledge
Investment real estate	846,322,871.34	Mortgage loan
Held-to-maturity investment	22,762,720,600.00	Pledges of financial assets sold for repurchase, pledge of central bank loan, etc.
Long-term receivables	131,108,391.85	Mortgage loan
Financial assets available for sale	3,358,004,643.81	Pledges of financial assets sold for repurchase
Loans and advances	2,982,260,000.00	Pledges of financial assets sold for repurchase
Total	106,879,233,909.95	

IX. Contingencies

(I) As of November 31, 2017,the company has provided loan guarantee for the following entities:

Guarantee unit	Guaranteed unit	Type of guarantee	Amount (ten thousand yuan)
Shandong Railway Construction Investment Co., Ltd	Yankuang Group Co., Ltd	joint liability guarantee	225,000.00
Shandong high-speed Group Co., Ltd	Yankuang Group Co., Ltd	joint liability guarantee	400,000.00
Shandong high-speed Group Co., Ltd	Agricultural Bank of China branch in Shandong Province	pledge	100,000.00
Total			725,000.00

(II) As of December 31, 2017, the Company's pending litigation and arbitration were indicated below

1. Shandong High-speed Road&Bridge Group Co., Ltd. (hereinafter referred to as “Luqiao Shares”), a controlling subsidiary of the Company, as the plaintiff , sued Shandong Bogda Real Estate Co., Ltd. (hereinafter referred to as “Bogeda Company”).

Luqiao shares signed "Construction Project Construction Contract" with Bogda Corporation on the 1-4# Building of the Jinan Dacheng Small Yard Project and the Underground Garage Project on November 19, 2011, Due to Bogda's failure to pay construction costs as agreed (ie, the warranty), and Bogeda's company has other debts, Luqiao shares sued Bogda to Jinan City Lixia District People's Court in 2016. The lawsuit request was that Bogda Company was required to pay 1,522,886.70 yuan for construction (warranty money) and overdue interest of 169,278.39 yuan and having preferential right to repay the price of 1-4# building of Dacheng Small Yard Project and the underground garage project or the price of the auction; all litigation costs in this case shall be borne by Bogda, On August 18, 2016, the People's Court of Lixia District of Jinan City issued the n no. 5502 of the People's Court of Lu (2010) Lu 0102, but it has not yet ruled , Bogda had applied to the court for bankruptcy liquidation on March 22, 2017. On June 21, 2017, the Luqiao Group filed the declaration materials related to the case to the court for the first meeting of creditors on July 21. The Luqiao Group made the right to give priority to the right of repayment.

Due to the extreme disputes between the shareholders of the defendant, one of the shareholders of the bank filed a request with the court that Bogda should not enter bankruptcy proceedings. Around September 2017 (because no creditor was served), the court first ruled that the Bank of Bogda would dismiss the bankruptcy. the other party's shareholder disapproved and filed an appeal. The Jinan Intermediate People's Court held the trial on November 17, 2017. There are no concrete results.

2. Shandong High-speed Road&Bridge Group Co., Ltd. (hereinafter referred to as “Luqiao Group”), a wholly-owned subsidiary of Shandong High-speed Bridge Group Co., Ltd., a

controlling subsidiary of the Company, as the plaintiff sued Guangzhou Daguang Expressway Co., Ltd. (hereinafter referred to as “Guangzhou Daguang”).

Owing to Construction Project Contract Dispute Case with Guangzhou Daguang, Luqiao Group filed a lawsuit to the Guangdong Heyuan Intermediate People’s Court (hereinafter referred to as “Guangdong Heyuan Intermediate Court”). At present, Guangdong Heyuan Intermediate People's Court issued the Notice of Accepting Cases (2017) Yue 16 Minchu 47. The case was filed on April 7, 2017 in the Heyuan City Intermediate People's Court of Guangdong Province. The lawsuit was: Requested that Daguang Guangzhou immediately pay RMB 177.82million in construction funds to Luqiao Group and refunded the Luqiao Group's performance bond of RMB 27,713,800 while paying overdue payments. The liquidated damages amounted to 5.93million, totaling 211.48 million yuan.

Guangdong Heyuan Intermediate People's Court held trials on September 8 and October 30, 2017 respectively. In the process of hearing, the parties submitted more evidence. Although two court sessions were held, the cross-examination stage was not completed. Due to the Guangzhou Daguang's refusal to accept the project materials submitted by the Luqiao Group, the trial court reopened on December 26, 2017. This session confirmed the project cost assessment and appraisal agency and the scope of appraisal. The case entered the project cost evaluation and appraisal stage.

3. On June 6, 2017, Shandong High-speed(Shenzhen) Investment Co., Ltd., a wholly-owned subsidiary of Shandong Expressway Co., Ltd., a controlling subsidiary of the Company, sued each of Kenson Group's three ownership units, Fengchuang, Litianjun, Zhongrongli, and Its guarantor. The amount of litigation was RMB 680,356,800, of which the total amount of the principal of the claims was RMB 466,894,600, the total amount of liquidated damage was RMB 43,114,500, and the total amount of overdue liquidated damages was RMB 170,347,700 (as of the time of the prosecution). The claims involved in the above-mentioned claims include mortgages such as equity and real estate, but the trials take a long time and the results of the lawsuit have certain uncertainties. The case has not yet been heard in court. (Shares)

4. Taishan Property Insurance Co., Ltd., the company's holding subsidiary, is hereinafter referred to as “Taishan P&C Insurance.” Given the business nature of the insurance business, Taishan P&C Insurance Co., Ltd. will conduct various types of contingent events and lawsuits in its daily business process, including In the litigation as the plaintiff and defendant and in the arbitration as the applicant and the respondent. The adverse effects of the above disputes mainly include claims for insurance policies. Taishan P&C has made provision for possible losses, including preparations for claims such as insurance policies when management consults lawyers' opinions and can reasonably estimate the above litigation results. No provision is made for pending lawsuits or possible defaults that cannot reasonably predict the outcome or the management believes that the probability of loss is minimal.

(III) As of December 31, 2017, contingent liabilities arising from other matters

1. Loan commitment

Items	Closing balance	Closing balance
Issuance of letter of credit	2,377,060,335.74	2,571,404,521.74
Issuance of letter of guarantee	393,394,345.38	110,871,960.63
Banker's acceptance bill	25,721,382,646.76	30,887,828,881.75
Commitment of business card unused	253,947,283.36	
Total	28,745,784,611.24	33,570,105,364.12

2. Capital expenditure commitment

Items	Closing balance	Opening balance
Fixed asset	6,597,000.00	11,613,000.00
signed but did not perform the contract	6,597,000.00	11,613,000.00
Approved but not signed contract		
Intangible assets	17,751,000.00	12,483,000.00
signed but did not perform the contract	17,751,000.00	12,483,000.00
Approved but not signed contract		
Total	24,348,000.00	24,096,000.00

3. Operating lease commitment

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	118,869,144.88	112,381,539.38
1 to 2 years (including 2 years)	113,402,760.04	97,139,499.92
2 to 3 years (including 3 years)	106,244,687.93	86,700,287.51
Over 3 years	233,514,310.47	266,287,759.37
Total	572,030,903.32	562,509,086.18

4. Commissioned business

Items	Closing balance	Opening balance
Entrusted deposits	21,398,977,534.61	21,491,378,759.27
Entrusted loans	21,398,977,534.61	21,491,378,759.27
Entrusted funds for money management	12,557,521,900.00	9,829,510,000.00
Entrusted assets for money management	12,464,621,137.00	9,857,560,000.00

(IV) As of December 31, 2017, the company didn't need to provide a description for the contingent asset.

(V) Besides the above contingencies, as of 31 December 2017, the Company had no other significant contingencies.

X. Events after the balance sheet date

1. (1) On April 23, 2018, the 18th meeting of the 8th Board of Directors of Shandong Expressway Bridge Group Co., Ltd., a controlling subsidiary of the company, reviewed and passed the "Company's 2017 Profit Distribution Preplan", and it intends to distribute RMB 0.60 (including tax) for every 10 shares for all shareholders in 2017, no bonus stock and no capitalization of capital reserve. The above profit distribution plan still needs to be submitted to the shareholders meeting for deliberation.

(2) Luqiao held the 14th meeting of the 8th Board of Directors and the 9th meeting of the 8th Board of Supervisors on December 25, 2017 and reviewed and approved the "Proposal on the Equity Incentive Scheme (Draft)" and its Summary" and other proposals. According to the "Equity Incentive Plan (Draft)", the company intends to grant 11.2 million stock options to a target of no more than 137 incentives, which accounted for approximately 1% of the company's total share capital of 112,013.963 million shares at the time of the "Equity Incentive Plan (Draft)" announcement; Among them, 10.058 million shares were granted for the first time, accounting for 90.04% of the total granted for this stock option, and 1.115 million were reserved, accounting for 9.96% of the total amount of stock option granted this time. This plan is valid for 5 years, counting from the day when the stock options are granted. The waiting period is the time between the grant of the stock option and the stock option vesting date. The waiting period for this plan is 24 months. On January 29, 2018, the company convened the first extraordinary general meeting of 2018 to discuss and approve the "Proposal on the Stock Option Incentive Plan for Shandong High-speed & Bridge Group Co., Ltd. (draft) and Abstracts"; February 20, 2018 At the 17th meeting of the 8th Board of Directors, the company reviewed and passed the Proposal on the First Grant of Stock Option Incentive Plan for Related Issues, and the first grant date of the company's stock option incentive plan was February 6, 2018.

2.(1) From January 1, 2018 to January 30, Weihai Commercial Bank, a holding Subsidiary of the company, issued 15 short-term financing bonds after the balance sheet date to the date of issuance of the report, with a total issuance of RMB14.36billion. The details are as follows:

Bond Name	Par value	Issued Date	Bond Period	Issue Amount
17 Weihai Commercial Bank CD031	100,000	2017/6/30	A month	99,657
17 Weihai Commercial Bank CD032	1,000,000	2017/7/6	3 months	988,418
17 Weihai Commercial Bank CD033	700,000	2017/7/19	3 months	692,581
17 Weihai Commercial Bank CD034	410,000	2017/7/26	3 months	405,554
17 Weihai Commercial Bank CD035	1,500,000	2017/7/27	A month	1,494,921

Bond Name	Par value	Issued Date	Bond Period	Issue Amount
17 Weihai Commercial Bank CD036	1,230,000	2017/7/27	3 months	1,216,373
17 Weihai Commercial Bank CD037	300,000	2017/7/28	3 months	296,747
17 Weihai Commercial Bank CD038	1,000,000	2017/7/31	A month	996,614
17 Weihai Commercial Bank CD039	1,700,000	2017/8/2	A month	1,694,133
17 Weihai Commercial Bank CD040	500,000	2017/8/2	A month	498,275
17 Weihai Commercial Bank CD041	1,000,000	2017/8/8	A month	996,711
17 Weihai Commercial Bank CD042	1,000,000	2017/8/16	A month	996,662
17 Weihai Commercial Bank CD043	120,000	2017/8/30	A month	119,582
17 Weihai Commercial Bank CD044	3,500,000	2017/9/5	3 months	3,459,036
17 Weihai Commercial Bank CD045	300,000	2017/9/6	A month	298,756
Total	14,360,000	/		14,254,020

(2) On November 2, 2017, Weihai Commercial Bank received a reply from Shandong Banking Regulatory Bureau of Shandong Banking Regulatory Bureau Lu Yin Jianzhun [2017] No 353, approved by Shandong Regulatory Bureau of the China Banking Regulatory Commission, on the preparation of the establishment of Heze Branch of Weihai Commercial Bank and agreed to establish Weihai Commercial Bank with Heze Branch of the Company Limited Weihai Commercial Bank.

3. According to the resolution of the 18th meeting of the 5th Board of Directors of the Company's holding subsidiary, Shandong High-speed Co., Ltd. on March 31, 2018, based on the total capital of 4,811,165,857 shares, a cash dividend of RMB 1.78 (tax included) will be distributed to all shareholders for every 10 shares.) A total of 856,387,522.55 yuan was allocated, and the remaining undistributed profits of 1,067,835,298.18 yuan were carried forward in subsequent years. In 2017, no capital reserve will be converted into share capital

4. The company issued a period of ultra-short-term financing bonds and two renewable corporate bonds after the balance sheet date to the report issue date, with a total issuance of RMB 5 billion.

Bond name	Code	Issue date	Bond Period	Issue amount
18 Lu High-speed SCP001	011800425	2018-03-16	180days	2 billion
18 Lu High-speed Y1	143957	2018-03-22	Over 3years	1.5 billion
18 Lu High-speed Y2	143956	2018-03-26	Over 3years	1.5 billion

5. Except for the above matters, as of the date of approval of the financial statements, the company has not had any non-adjustment events in the events after the major balance sheet date that affect the reading and understanding of this financial statement.

XI. Relation and transaction between related parties

(I) Information about the parent company of the Company

Unit name	Registered address	Business nature	Registered capital	Shareholding ratio of parent company in the unit (%)	Voting power ratio of parent company in the unit (%)
Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Jinan City, Shandong Province	Government agency		100.00	100.00

(II) Subsidiaries of the Company

The information of the subsidiaries is indexed to "Note VII, business combination and consolidated financial statements".

(III) Associates and joint ventures

The information of the associates and joint ventures is indexed to "Note VIII (19) Long-term equity investment".

(IV) Related party

1. Related party transactions

The Company did not need to disclose the related party transactions during the year.

2. Accounts receivable and payable to related parties

related parties	Items	Closing balance	Provision for bad debt
Shandong High-speed Ovid Junshan Auto Supply Chain Management Co., Ltd	Accounts receivable	39,286,559.86	
Shandong Ocean Engineering International Co., Ltd.	Accounts receivable	18,549,967.24	
Sinopec Sales Co., Ltd. Shandong Petroleum Branch	Accounts receivable	2,466,086.98	
Qingdao Ovid Junshan Trading Co., Ltd.	Accounts receivable	1,828,530.00	
Inner Mongolia Luqiao Real Estate Co., Ltd.	Accounts receivable	1,416,632.44	
Hubei Wudang Mountain Cultural Tourism Co., Ltd.	Accounts receivable	600,000.00	
Huanghua Yihuiyuan Petroleum Chemical Co., Ltd.	Prepayment	7,500,000.00	
Greentown Real Estate Construction Management Group Co., Ltd.	Prepayment	5,000,000.00	
Zhejiang Greentown Decoration Engineering Management Co., Ltd.	Prepayment	1,291,677.81	
Sinopec Sales Co., Ltd. Shandong Petroleum Branch	Prepayment	75,923.31	
Shandong Railway Development Fund Co., Ltd.	Other receivables	3,330,833,550.10	
Inner Mongolia Luqiao Real Estate Co., Ltd.	Other receivables	1,949,629,110.65	

related parties	Items	Closing balance	Provision for bad debt
Shandong Ocean Engineering International Co., Ltd.	Other receivables	1,025,871,259.63	
Shandong Blue Economic Asset Management Co., Ltd.	Other receivables	86,598,608.22	
Qingdao Blue Ocean Engineering Partnership (limited partnership)	Other receivables	37,007,255.00	
Ziguang Jietong Technology Co., Ltd.	Other receivables	8,027,705.92	
Sun Marine Offshore Solutions Inc.	Other receivables	5,996,967.20	
Jinan Yingrun Architectural Design Co., Ltd.	Other receivables	3,516,099.44	
Shandong Haohai Investment Co., Ltd.	Other receivables	3,486,479.96	
Shandong Blue Economic Financing Guarantee Co., Ltd.	Other receivables	3,000,000.00	
Shandong High-speed Investment Fund Management Co., Ltd.	Other receivables	2,206,814.21	
Shandong High-speed (Europe) Investment Holdings Co., Ltd.	Other receivables	523,690.36	
Greentown Property Services Group Co., Ltd. Dongying Branch	Other receivables	493,004.73	
Jinan Xineng Equity Investment Fund Management Center (Limited Partnership)	Other receivables	340,000.00	
Sinopec Sales Co., Ltd. Shandong Petroleum Branch	Other receivables	32,991.27	
Shandong yinghai Enterprise Management Consulting Co., Ltd.	Other receivables	1,000.00	
Inner Mongolia Luqiao Real Estate Co., Ltd.	Interest Receivable	131,032,786.86	

related parties	Items	Closing balance
Shandong High Speed Ovid Junshan Auto Supply Chain Management Co., Ltd.	Advances received	1,690,000.00
Shandong Ocean Engineering International Co., Ltd.	Other payable	1,278,840,646.87
Shandong High-speed Investment Fund Management Center (Limited Partnership)	Other payable	490,936,800.00
Lijia Industrial (Fujian) Group Co., Ltd.	Other payable	110,594,135.13
Shandong High-speed Urbanization Fund Management Center (Limited Partnership)	Other payable	37,901,877.78
Shandong Taishan Scholar Blue Industry Leader Talent Equity Investment Partnership (Limited Partnership)	Other payable	28,000,000.00
China Railway 23rd Group Rail Transportation Engineering Co., Ltd.	Other payable	24,652,925.43
Nanjing Marie Mengshi Cultural Development Co., Ltd.	Other payable	2,000,000.00
Zhejiang Greentown Decoration Engineering Management Co., Ltd.	Other payable	397,278.99
Shandong High-Speed Investment Fund Management Co., Ltd.	Other payable	245,340.64

XII. Notes of main financial statements of parent company

1. Accounts receivable

Types	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually				
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	15,455,977.40	100.00		
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually				
Total	15,455,977.40	100.00		

Continued

Types	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with significant single amounts and for which bad debt provision are drawn individually				
Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	15,048,861.20	100.00		
Accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually				
Total	15,048,861.20	100.00		

1. Accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics

(1) Accounts receivable with provision for bad debt according to other portfolio basis

Combination name	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision for bad debt	Book balance	Proportion (%)	Provision for bad debt
Combination without risks	15,455,977.40			15,048,861.20		
Total	15,455,977.40			15,048,861.20		

2. Details of accounts receivable at the end of the period

Name of debtor	Book balance	Proportion (%)	Provision for bad debt
Angola Urban Construction Department	11,416,877.40	73.87	
Jinan customer service after payment business section	2,886,400.00	18.67	
Dezhou customer service after payment business section	1,147,500.00	7.42	
Qingdao Postal Savings Bank collects tolls	4,200.00	0.03	
Postal Savings Bank collection fee	1,000.00	0.01	
Total	15,455,977.40	100.00	

2. Other accounts receivables

Types	Closing balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable with significant single amounts and for which bad debt provision are drawn individually	219,715,931.00	1.00	219,715,931.00	100.00
Other accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	21,660,701,375.51	98.90	698,239.28	0.01
Other accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	21,336,170.72	0.10	3,838,810.00	17.99
Total	21,901,753,477.23	100.00	224,252,980.28	

Continued

Types	Opening balance			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable with significant single amounts and for which bad debt provision are drawn individually	247,908,902.00	2.15	247,908,902.00	100.00
Other accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics	11,237,127,208.05	97.66	2,856,349.32	0.03
Other accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually	21,336,170.72	0.19	3,837,810.00	17.99
Total	11,506,372,280.77	100.00	254,603,061.32	

1. Other accounts receivable with significant single amounts and for which bad debt provision are drawn individually

Debtor name	Book balance	Provision for bad debt	Aging	Proportion (%)	Reason for provision
Conduct counter purchase for non-performing assets of Weihai Tongda Company	219,715,931.00	219,715,931.00	More than 5 years	100.00	Can not be recovered
Total	219,715,931.00	219,715,931.00			

2. Other accounts receivable for which bad debt provision are drawn according to combination of credit risk characteristics

(1) Other accounts receivable with provision for bad debt conducted according to aging analysis method

Aging	Closing balance			Opening balance		
	Book balance		provision for bad debt	Book balance		provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	135,297.50	12.45	6,764.88	45,515,014.48	98.45	2,275,750.72
1-2 years (including 2 years)	288,511.50	26.56	28,851.15			
2-3 years (including 3 years)				5,000.00	0.01	1,500.00
More than 3 years	662,623.25	60.99	662,623.25	711,623.25	1.54	579,098.60
Total	1,086,432.25	100.00	698,239.28	46,231,637.73	100.00	2,856,349.32

(2) Other accounts receivable with provision for bad debt conducted according to other portfolio basis

Combination name	Closing balance			Opening balance		
	Book balance	Proportion (%)	provision for bad debt	Book balance	Proportion (%)	provision for bad debt
Related parties combination	21,411,584,214.23			10,555,288,785.73	21,411,584,214.23	
Combination without risks	248,030,729.03			635,606,784.59	248,030,729.03	
Total	21,659,614,943.26			11,190,895,570.32	21,659,614,943.26	

3. Other accounts receivable with insignificant single amounts and for which bad debt provision are drawn individually

Debtor name	Book balance	Provision for bad debt	Aging	Proportion (%)	Reason for provision
Shandong sainty Hotel	21,294,570.72	3,796,210.00	1-2 years ,More than 5 years	17.83	Difficulty in recovery

Debtor name	Book balance	Provision for bad debt	Aging	Proportion (%)	Reason for provision
Shandong Modern Regional Economic Research Center	41,600.00	41,600.00	4-5 years	100.00	Can not be recovered
Total	21,336,170.72	3,837,810.00			

4. Details of the top 5 debtors with largest closing balances

Debtor name	Nature of payment	Book balance	Aging	Proportion (%)	provision for bad debt
Shandong High-speed Investment Holding Co., Ltd.	Clearing center loans and advances	4,585,296,407.67	0-5years	20.94	
Shandong High-speed Global Finance Leasing Co., Ltd.	Clearing center loans and advances	3,056,965,000.00	Within 1 year	13.96	
Shandong High - speed Real Estate Group Co., Ltd	Clearing center loans and advances	2,949,629,110.65	0-2years	13.47	
Shandong Province Rural Economic Development Investment Co., Ltd	Clearing center loans and advances	2,874,494,413.68	0-5 years	13.12	
Shandong High Speed Penglai Development Co., Ltd.	Clearing center loans and advances	2,342,519,224.53	Within 1 year	10.70	
Total		15,808,904,156.53		72.19	

3. Long-term equity investment

(1) Long-term equity investment classification

Items	Opening balance	Increase	Decrease	Closing balance
Investment in subsidiaries	54,793,864,298.17	5,944,919,079.47	31,692,554.45	60,707,090,823.19
Less: Depreciation reserves for long-term equity investment				
Total	54,793,864,298.17	5,944,919,079.47	31,692,554.45	60,707,090,823.19

(2) Details of long-term equity investment

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period			Closing balance
			Additional investment	Negative investment	Others	
Total	60,707,090,823.19	54,793,864,298.17	5,944,919,079.47	31,692,554.45		60,707,090,823.19
I. Subsidiary	60,707,090,823.19	54,793,864,298.17	5,944,919,079.47	31,692,554.45		60,707,090,823.19
Shandong High Speed Co., Ltd.	10,757,666,927.82	10,757,666,927.82				10,757,666,927.82
Shandong High Speed Rail Transportation Group Co., Ltd.	1,269,692,833.56	1,269,692,833.56				1,269,692,833.56
Shandong High-speed Service Area Management Co., Ltd.	673,257,240.72	471,020,352.68	202,236,888.04			673,257,240.72
Shandong High-speed Materials Group Corporation	1,198,754,402.40	1,198,754,402.40				1,198,754,402.40
Shandong High-speed Group Henan Xulu Highway Co., Ltd.	1,559,411,500.00	1,559,411,500.00				1,559,411,500.00

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period			Closing balance
			Additional investment	Negative investment	Others	
Shandong High-speed Qilu Construction Group Co., Ltd.	516,880,681.32	516,880,681.32				516,880,681.32
Shandong High-speed Road&Bridge Group Co., Ltd.	2,038,317,191.83	2,038,317,191.83				2,038,317,191.83
Shandong High-speed Information Engineering Co., Ltd.	95,693,037.95	14,943,037.95	80,750,000.00			95,693,037.95
Weihai City Commercial Bank	1,402,724,826.00	1,402,724,826.00				1,402,724,826.00
Shandong Railway Construction Investment Co., Ltd.	11,200,000,000.00	11,200,000,000.00				11,200,000,000.00
China Shandong International Economic and Technical Cooperation Corporation	1,460,572,734.27	460,572,734.27	1,000,000,000.00			1,460,572,734.27
Shandong High-speed Investment Holding Co., Ltd.	4,064,261,571.50	4,064,261,571.50				4,064,261,571.50
Shandong Provincial Rural Economic Development and Investment Corporation	1,319,155,019.00	1,303,404,442.00	15,750,577.00			1,319,155,019.00
Shandong Ocean Investment Co., Ltd.	1,000,000,000.00	1,000,000,000.00				1,000,000,000.00
Shandong Shipping Co., Ltd.	1,000,000,000.00	1,000,000,000.00				1,000,000,000.00
Shandong Taishan Property Insurance Co., Ltd.	882,000,000.00	882,000,000.00				882,000,000.00
Shandong High-speed Culture Media Co., Ltd.	454,663,500.00	30,000,000.00	424,663,500.00			454,663,500.00
Shandong High-speed Science and Technology Development Group Co., Ltd.	161,495,058.48	150,000,000.00	11,495,058.48			161,495,058.48
Shandong High-speed Logistics Group Co., Ltd.	1,500,000,000.00	1,500,000,000.00				1,500,000,000.00
Shandong High-speed Transportation Logistics Investment Co., Ltd.	105,000,000.00	105,000,000.00				105,000,000.00
Shandong High-speed Qingdao Development Co., Ltd.	3,346,049,500.00	3,346,049,500.00				3,346,049,500.00
Shandong High-speed Communication Co., Ltd.	360,000,000.00	360,000,000.00				360,000,000.00
Shandong High-speed Sichuan Industrial Development Co., Ltd.	4,314,451,987.00	4,158,201,987.00	156,250,000.00			4,314,451,987.00
Shandong High-speed Yunnan Development Co., Ltd.	1,128,991,778.00	1,128,991,778.00				1,128,991,778.00
Shandong High-speed Light Control Industry Investment Fund Management Co., Ltd.	98,000,000.00	98,000,000.00				98,000,000.00
Shandong High-speed Basketball Club Co., Ltd.	10,000.00	10,000.00				10,000.00

Investee unit	Invest cost	Opening balance	Change in increase or decrease of current period			Closing balance
			Additional investment	Negative investment	Others	
Hubei Wujing Expressway Development Co., Ltd.	1,418,605,320.00	1,418,605,320.00				1,418,605,320.00
Shandong High-speed (Singapore) Co., Ltd.	62,441,200.00	62,441,200.00				62,441,200.00
Qingdao Huatian Hotel Co., Ltd.	321,760,912.64	18,278,589.01	303,482,323.63			321,760,912.64
Yantai Longhai Hotel	31,920,645.83	31,920,645.83				31,920,645.83
Shandong High-speed Nile Investment Development Co., Ltd.	100,000,000.00	100,000,000.00				100,000,000.00
Shandong High-speed Real Estate Group Co., Ltd.	4,949,290,732.32	1,550,000,000.00	3,399,290,732.32			4,949,290,732.32
Shandong Juanhe Expressway Co., Ltd.	527,490,000.00	527,490,000.00				527,490,000.00
Shandong High-speed Taidong Highway Co., Ltd.	27,305,200.00	27,305,200.00				27,305,200.00
Shandong High-speed Jilai Intercity Highway Co., Ltd.	5,100,000.00	5,100,000.00				5,100,000.00
Shandong High-speed Jitai East Highway Co., Ltd.		5,100,000.00		5,100,000.00		
Shandong High-speed Longqing Highway Co., Ltd.	5,100,000.00	5,100,000.00				5,100,000.00
Shandong High-speed Gaoguang Highway Co., Ltd.	51,000,000.00		51,000,000.00			51,000,000.00
Shandong High-speed Penglai Development Co., Ltd.	100,000,000.00		100,000,000.00			100,000,000.00
Shandong High-speed (BVI) Capital Management Co., Ltd.	6.95	6.95				6.95
Shandong High-speed Hubei Development Co., Ltd.	200,000,000.00		200,000,000.00			200,000,000.00
Shandong Sanyi Engineering Construction Supervision Co., Ltd.		9,823,187.25		9,823,187.25		
Shandong Honglin Engineering Technology Co., Ltd.		7,077,904.05		7,077,904.05		
Shandong Seafarer Training Center		9,691,463.15		9,691,463.15		
Weihai firm profit right	1,000,027,015.60	1,000,027,015.60				1,000,027,015.60

4. Operating revenue, operating costs

Items	Current period		Prior period	
	Income	Cost	Income	Cost
1. Subtotal of income of main business	2,701,250,455.71	1,565,987,653.08	2,397,415,533.42	1,346,532,004.06
Charges for roads and bridges	2,701,250,455.71	1,565,987,653.08	2,397,415,533.42	1,346,532,004.06

Items	Current period		Prior period	
	Income	Cost	Income	Cost
2. Subtotal of income of other businesses	12,650,240.06	1,465,857.97	126,275,423.03	105,374,789.66
Other	12,650,240.06	1,465,857.97	126,275,423.03	105,374,789.66
Total	2,713,900,695.77	1,567,453,511.05	2,523,690,956.45	1,451,906,793.72

5. Investment income

Income resource	Amount for the current period	Amount for the prior period
Income from long-term equity investment calculated according to cost method	1,001,863,281.95	1,077,055,530.88
Income from disposition of long-term equity investment	12,676,843.36	
Income from investment of available-for-sale financial assets during holding period	23,341,563.13	3,824,623.26
Income from investment obtained from disposition of available-for-sale financial assets		20,165,605.43
Total	1,037,881,688.44	1,101,045,759.57

6. Cash flow statement

(1) Reconciliation of net profit to cash flow from operating activities

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:	—	—
Net profits	463,555,629.25	363,067,157.85
Add: Property depreciation preparation	-67,933,405.04	1,651,908.93
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	897,837,168.33	598,911,576.56
Amortization of intangible assets	394,331,064.61	385,961,410.64
Amortization of long-term unamortized expenses	69,138,684.73	104,472,773.58
Losses arising from disposition of fixed assets, intangible assets and other long-term assets	20,424.85	-13,182,599.59
Losses arising from discarding of fixed assets (with "-"for income)		
Losses arising from fair value change(with "-"for income)		
Financial expenses (with "-"for income)	2,086,605,587.13	1,971,019,920.68
Investment loss (with "-"for income)	-1,037,881,688.44	-1,101,045,759.57
Decrease of Deferred tax assets (with "-"for increase)	16,639,046.31	
Increase of deferred tax liabilities (with "-"for decrease)		
Decrease of inventory (with "-"for increase)	11,006,008.36	-17,648,753.86
Decrease of Items of operating receivables (with "-"for increase)	-10,308,119,044.01	-3,315,460,863.08

Supplementary information	Amount for the current period	Amount for the prior period
Increase of Items of operating payables (with "-" for decrease)	1,147,323,019.01	1,735,428,830.35
Others		
Net amount of cash flow from business activities	-6,327,477,504.91	713,175,602.49
2. Major investment and financing activities not involved in cash receipts and disbursements		
Conversion of debt into capital		
Convertible bonds due within 1 year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Closing balance of cash	1,950,597,630.27	1,738,527,081.91
Less: Initial balance of cash	1,738,527,081.91	1,059,957,450.21
Add: Closing balance of cash equivalents		
Less: Initial balance of cash equivalents		
Net increased amount of cash and cash equivalents	212,070,548.36	678,569,631.70

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
I . Cash	1,950,597,630.27	1,738,527,081.91
Including: cash on hand	28,606.45	18,300.68
Bank balances that can be used for payment at any time	1,950,569,023.82	1,738,508,781.23
Other cash and bank balances that can be used for payment at any time		
Funds that are deposited in central bank and available for payment		
II . Cash equivalents		
Including: bond investment due within three months		
III. Closing cash balance and cash equivalents balance	1,950,597,630.27	1,738,527,081.91
Including: restricted cash and cash equivalents used by parent company or subsidiaries the Group Company		

XIII. Other contents that should be disclosed according to relevant financial and accounting rules

None.

Shandong Hi-Speed Group Co Ltd.

April 27, 2018

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