

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

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

Stock Code: 1576



# 2023

INTERIM REPORT

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## Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 AGM”	the 2022 annual general meeting of the Company convened and held on 27 June 2023
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company established in the PRC with limited liability on 6 December 2016
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》)
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deshang and Shennan Expressways”	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometres
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in RMB
“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
“Expressway Business”	our business in relation to the maintenance, operation and management of the Jihe Expressway, the Deshang and Shennan Expressways
“Group”, “us” or “we”	the Company and, except where the context otherwise requires, all of its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## Definitions

“Jihe Expressway”	Jinan (濟南) to Heze (菏澤) Expressway, the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a total length of approximately 153.6 kilometres
“Lending Bank(s)”	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Sub-branch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), and Huaxia Bank Co., Ltd. Huaiyin Sub-branch (華夏銀行濟南槐蔭支行), being the banks providing financing facilities for the construction projects of the Deshang and Shennan Expressways
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “State”	the People’s Republic of China, which for the purpose of this report, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“Qilu Expressway (Hong Kong)”	Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Qilu Expressway Assembly”	Qilu Expressway (Shandong) Assembly Company Limited (齊魯高速(山東)裝配有限公司), a limited liability company established under the laws of the PRC and a subsidiary held by the Company through Qilu Expressway (Hong Kong) as to 60% of its equity interest as at the date of this report
“Qilu Expressway Investment”	Qilu Expressway (Shandong) Investment Management Co., Ltd. (齊魯高速(山東)投資管理有限公司), a company established under the PRC laws with limited liability, and a wholly-owned subsidiary of the Company as at the date of this report
“R&E Project”	the reconstruction and expansion project of the Jihe Expressway
“Reporting Period”	the six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shandong 9-5-1-7 Expressway Network”	the “nine-vertical; five-traverse; one-ring and seven-radials and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2018-2035) (《山東省高速公路網中長期規劃(2018-2035)》) promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 kilometres by 2035

## Definitions

“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd. (山東港通建設有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this report
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a joint stock company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding approximately 38.93% of the total issued Shares as at the date of this report, is a controlling Shareholder of the Company
“Shandong Hi-Speed Group”	Shandong Hi-Speed Group Company Limited (山東高速集團有限公司), a limited liability company established in the PRC, indirectly holding approximately 38.93% of the total issued Shares through Shandong Hi-Speed as at the date of this report, is a controlling Shareholder of the Company
“Shandong Shunguang Industrial”	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company as at the date of this report
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	Domestic Share(s) and/or H Share(s) (as the case may be)
“Shareholder(s)”	holder(s) of the Share(s)
“Shennan Expressway”	an expressway running from the K150+400 point of the Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary – Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law
“%”	per cent

# Corporate Information

## REGISTERED NAME OF THE COMPANY

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

## LEGAL REPRESENTATIVE

Mr. Wang Zhenjiang

## BOARD OF DIRECTORS

### (1) Executive Directors

Mr. Wang Zhenjiang (*Chairman of the Board*)  
Mr. Peng Hui  
Mr. Liu Qiang

### (2) Non-executive Directors

Mr. Ma Xianghui  
Ms. Kong Xia  
Mr. Su Xiaodong  
Mr. Kang Jian  
Mr. Wang Gang  
Mr. Shi Jinglei  
Mr. Du Zhongming

### (3) Independent Non-executive Directors

Mr. Liu Hongwei  
Mr. He Jiale  
Mr. Wang Lingfang  
Mr. Leng Ping  
Ms. Shen Chen

## BOARD COMMITTEES

### (1) Audit Committee

Mr. He Jiale (*Chairman*)  
Mr. Shi Jinglei  
Mr. Liu Hongwei

### (2) Remuneration and Appraisal Committee

Mr. Liu Hongwei (*Chairman*)  
Mr. Wang Lingfang  
Mr. Leng Ping

### (3) Nomination Committee

Mr. Wang Zhenjiang (*Chairman*)  
Mr. Wang Lingfang  
Mr. Leng Ping  
Ms. Shen Chen

### (4) Strategy Committee

Mr. Wang Zhenjiang (*Chairman*)  
Mr. Peng Hui  
Mr. Ma Xianghui  
Ms. Kong Xia  
Mr. Wang Gang

## SUPERVISORY COMMITTEE

### (1) Shareholder Representative Supervisors

Mr. Wang Shenan (*Chairperson of the Supervisory Committee*)  
Mr. Zhang Yin  
Mr. Wu Yongfu

### (2) Employee Supervisors

Ms. Hou Qinghong  
Mr. Hao Dehong  
Mr. Dong Junjie

### (3) Independent Supervisors

Mr. Meng Qinghui  
Mr. Dong Ensheng

# Corporate Information

## JOINT COMPANY SECRETARIES

Mr. Shi Wenjiang  
Ms. Zhang Xiao (ACG, HKACG)

## AUTHORISED REPRESENTATIVES

Mr. Wang Zhenjiang  
Ms. Zhang Xiao (ACG, HKACG)

## AUDITOR

### Ernst & Young

27/F, One Taikoo Place  
979 King's Road, Quarry Bay, Hong Kong

## LEGAL ADVISER AS TO PRC LAW

### DeHeng Law Offices (Jinan)

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No. 8 Long'ao Road North, Lixia District  
Jinan City, PRC

## LEGAL ADVISER AS TO HONG KONG LAW

### DLA Piper Hong Kong

25th Floor, Three Exchange Square  
8 Connaught Place  
Central, Hong Kong

## REGISTERED ADDRESS

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

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL BANKERS

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

## H SHARE REGISTRAR IN HONG KONG

### Computershare Hong Kong Investor Services Limited

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

## COMPANY WEBSITE

[www.qllecl.com](http://www.qllecl.com)

## STOCK CODE

1576

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Operations

The Group's principal businesses comprise (i) the construction, maintenance, operation and management of the expressways (including the Jihe Expressway and the Deshang and Shennan Expressways); and (ii) highway engineering construction, expressway maintenance, municipal greening and other construction engineerings, and sales of industrial products and other businesses.

The Group continued to actively expand business during the Reporting Period. During the Reporting Period, in addition to the toll income from expressways administered by the Group, the Group carried out highway engineering, expressway supporting facilities and other construction engineering work and recorded engineering service revenue through its owned subsidiaries and recognised sales revenue through processing and selling industrial products. We also recognised certain service income from the leasing the communication signal transmission pipelines and advertisement billboards along the expressways and the provision of advertisement publication services.

In addition, the Company actively promoted the R&E Project of the Jihe Expressway during the Reporting Period, which was proceeding in an orderly manner. The Group recognised income from construction business through the R&E Project. For details, please refer to the sub-section headed "Business Review – Construction Business and Sale of Industrial Products" under this section.

### Revenue

During the Reporting Period, we recognised revenue from operations of approximately RMB1,656,842,000, representing an increase of approximately 67.66% compared with that of approximately RMB988,210,000 in the corresponding period of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB347,572,000, representing a decrease of approximately 38.12% compared with that of approximately RMB561,726,000 in the corresponding period of last year. Our toll income from the Deshang and Shennan Expressways was approximately RMB275,501,000, representing an increase of approximately 17.10% compared with that of approximately RMB235,261,000 in the corresponding period of last year. Traffic volume on the Jihe Expressway during the Reporting Period decreased from approximately 70,700 vehicles per day during the six months ended 30 June 2022 to approximately 48,300 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) increased from approximately 46,300 vehicles per day during the six months ended 30 June 2022 to approximately 58,700 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway increased from approximately 8,900 vehicles per day during the six months ended 30 June 2022 to approximately 11,600 vehicles per day during the Reporting Period. Such decreases in the toll income and total traffic volume were mainly attributable to the partial closure for construction of the R&E Project of the Jihe Expressway, whereas the implementation of the half-width traffic of the main line of the Jihe Expressway and the temporary closure of certain toll stations had led to the significant decrease in the traffic volume of the Jihe Expressway and a material impact on the toll income. For further details of changes in the above expressway traffic volume during the period, please refer to the sub-section headed "Business Review – Expressway Business" under this section.

During the Reporting Period, the Group recognised revenue from engineering construction business and sales of industrial products relating to construction activities of approximately RMB1,032,166,000, representing an increase of approximately 447.16% compared with that of approximately RMB188,641,000 in the corresponding period of last year, which was mainly due to the increase in the construction revenue recognised from the implementation of the R&E Project of the Jihe Expressway and the revenue generated from trading business of construction materials carried out by Shandong Shunguang Industrial and Shandong Gangtong Construction. Meanwhile, the Group recognised income from other service business of approximately RMB299,000, representing a decrease of approximately 9.12% as compared with that of approximately RMB329,000 in the corresponding period of last year, mainly attributable to the reduction of service income from road clearance services for traffic accidents. For details of the construction business and sale of industrial products carried out by the Group, please refer to the sub-section headed "Business Review – Construction Business and Sale of Industrial Products" under this section.



## Management Discussion and Analysis

During the Reporting Period, we recorded a rental income of approximately RMB1,304,000, representing a decrease of approximately 42.12% compared with that of approximately RMB2,253,000 in the corresponding period of last year, which was mainly attributable to the reduction in income from leasing of the communication signal transmission pipelines along the expressways of the Group. During the Reporting Period, the rental income mainly represented (i) the service income from leasing the advertisement billboards along both sides of the Jihe Expressway of approximately RMB595,000, and (ii) the rental income from leasing of the communication signal transmission pipelines along the expressways and investment properties of approximately RMB709,000.

### ***Cost of Sales and Gross Profit***

During the Reporting Period, our cost of sales and gross profit were approximately RMB1,205,961,000 and RMB450,881,000 respectively, as compared to those of approximately RMB387,955,000 and RMB600,255,000 in the corresponding period of last year, representing a period-on-period increase of approximately 210.85% and a period-on-period decrease of approximately 24.89% respectively. Gross profit margin of the Group was approximately 27.21% for the Reporting Period, representing a period-on-period decrease of approximately 34 percentage points as compared with approximately 60.74% in the corresponding period of last year. During the Reporting Period, the Group's cost of sales mainly included amortisation of intangible assets, staff costs, construction costs, and maintenance costs and provisions for the Jihe Expressway and the Deshang and Shennan Expressways. During the Reporting Period, the increase in the cost of sales as compared to that of the corresponding period of last year was mainly due to the increase in costs of construction business due to the progression of the R&E Project of the Jihe Expressway. During the Reporting Period, the Group's revenue from the Expressway Business (being toll income) declined from that of the corresponding period of last year. Meanwhile, the increase in construction costs brought about by the R&E Project of Jihe Expressway resulted in a decrease in each of the Group's gross profit and gross profit margin in the Reporting Period, compared to that of the corresponding period of last year.

### ***Other Income and Gains***

During the Reporting Period, other income and gains were approximately RMB27,741,000 (approximately RMB20,204,000 for the corresponding period of last year), which mainly comprised investment gains from structured deposits, bank interest income and government incentive income. The period-on-period increase in other income and gains was mainly attributable to the increase in investment income generated from the increased structured wealth management products subscribed by the Company.

### ***Administrative Expenses***

During the Reporting Period, administrative expenses from our operations were approximately RMB36,934,000, representing an increase of approximately 32.38% as compared to approximately RMB27,899,000 for the corresponding period of last year. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, travel expenses and fees paid for engaging professional parties. During the Reporting Period, the increase in administrative expenses was mainly attributable to the active business expansion of the Company's subsidiaries Qilu Expressway Assembly and Qilu Expressway Investment during the Reporting Period, resulting in the corresponding increase in management expenses and labour costs.

### ***Impairment Losses on Financial Assets and Contract Assets***

During the Reporting Period, we recorded impairment losses on financial assets and contract assets of RMB3,638,000 (approximately RMB348,000 for the corresponding period of last year), primarily due to the increase in receivables arising from the increased sales revenue generated from building materials and others.

# Management Discussion and Analysis

## ***Other Expenses***

During the Reporting Period, we recorded other expenses of RMB392,000 (approximately nil for the corresponding period of last year), primarily derived from the asset loss arising from the removal of certain advertisement billboards by Shandong Shunguang Industrial.

## ***Finance Costs***

During the Reporting Period, our finance costs were approximately RMB38,355,000, representing a decrease of approximately 26.66% as compared to approximately RMB52,296,000 for the corresponding period of last year, primarily attributable to the decrease in interest expenses compared with that in the corresponding period of last year after the repayment of bank borrowings and the capitalisation of interest expense of the new bank borrowings of the Group designated for the R&E Project of the Jihe Expressway.

## ***Share of Loss and Profit of an Associate and Joint Ventures***

During the Reporting Period, our share of profit of an associate and joint ventures was approximately RMB3,071,000 (share of profit of approximately RMB862,000 for the corresponding period of last year), representing the share of profit of the Group's associate and joint ventures in the Reporting Period accounted for under equity method of accounting.

## ***Net Profit Attributable to Owners of the Parent During the Period***

During the Reporting Period, profit attributable to owners of the parent was approximately RMB300,473,000, representing a decrease of approximately 25.83% as compared to that of approximately RMB405,105,000 for the corresponding period of last year. During the Reporting Period, the decrease in profit from our operations was primarily attributable to the reduction in toll income arising from the closure for site construction of the R&E Project of the Jihe Expressway and half-width traffic of the main line since mid-February 2023.

## ***Liquidity and Financial Resources***

During the Reporting Period, the Group financed its operations and capital expenditures with the internal resources, floating-rate bank loans and borrowings from Shandong Hi-Speed Group. As at 30 June 2023, the Group had total loans of approximately RMB4,689,383,000 (31 December 2022: approximately RMB3,765,104,000), all bore interest at floating rates and were denominated in RMB. Total cash and cash equivalents (including bank deposits and cash) were approximately RMB546,363,000 (31 December 2022: approximately RMB679,607,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet daily operation needs and any capital requirements for future development. As at 30 June 2023 and 31 December 2022, the Group's gearing ratio, as calculated by dividing net debt<sup>(1)</sup> by total capital<sup>(2)</sup>, was approximately 42.08% and 35.49%, respectively.

### *Notes:*

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

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

# Management Discussion and Analysis

## *Treasury Policies*

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for Shareholders and benefits for other stakeholders by implementing proper pricing, providing quality and efficient service and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group also closely monitors its gearing ratio as mentioned above.

## *Pledge of Assets and Contingent Liabilities*

As at 30 June 2023, the Group's toll collection right in respect of the Deshang and Shennan Expressways was pledged to secure a bank loan granted by a Lending Bank for the related construction project financing. As at 30 June 2023, the net carrying amounts of the toll collection right in respect of (i) the Deshang Expressway (Liaocheng – Fan County section), and (ii) Shennan Expressway was RMB2,161,164,000 and RMB767,504,000, respectively. Save as mentioned above, as at 30 June 2023, the Group had no material contingent liabilities.

## *Employees, Remuneration Policy and Pension Plans*

As at 30 June 2023, the Group had a total of 702 (as at 30 June 2022: 677) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB90,326,000 (approximately RMB72,520,000 for the corresponding period of last year).

The Group's remuneration for employees includes basic salaries, bonuses and other staff benefits, such as social insurance, housing provident fund, corporate annuity, supplementary medical insurance and group life accident insurance, etc.. In general, the Group remunerates the employees based on their performance, qualification, position and seniority within the Group. The Group also provides the employees with continuing education and regular on-the-job training based on their job duties. In compliance with the requirements of the PRC laws and regulations, the Group contributes to the State-sponsored retirement scheme for its employees in the PRC. The Group's employees make monthly contributions to the scheme at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant income, subject to certain ceiling. The State-sponsored retirement scheme is responsible for all post-employment benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All employees are entitled to an additional pension each year aggregating to 10% of the previous year's salaries.

## *Foreign Exchange Risk*

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

As at 30 June 2023, the Group did not enter into any hedging arrangements to hedge against exposure to foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

# Management Discussion and Analysis

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

The Company did not have any significant investment or material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period. As at 30 June 2023, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 30 June 2023.

## BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB1,656,842,000, representing a period-on-period increase of approximately 67.66%, of which, toll income was approximately RMB623,073,000, representing a period-on-period decrease of approximately 21.82%; revenue from construction, sales of industrial products, rental income and other services businesses was approximately RMB1,033,769,000, representing a period-on-period increase of approximately 440.61%. During the Reporting Period, the Group achieved gross profit of approximately RMB450,881,000, representing a period-on-period decrease of approximately 24.89%. Profit for the period was approximately RMB298,345,000, generating earnings per Share of approximately RMB0.15 (corresponding period of last year: RMB0.20).

### Expressway Business

In the first half of 2023, the Company continued to strengthen the operational management of the Jihe Expressway and the Deshang and Shennan Expressways projects. The Jihe Expressway and the Deshang and Shennan Expressways are important components of the Shandong 9-5-1-7 Expressway Network, connecting to areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Traffic detour due to half-width traffic of the main line and temporary closure of certain toll stations resulting from the R&E Project of the Jihe Expressway led to the decrease in the traffic volume of the Jihe Expressway during the Reporting Period. Meanwhile, the resumption of normal economic and social operations and enhancement of general public's willingness to travel led to the increase in the traffic volume of the Deshang and Shennan Expressways during the Reporting Period. The Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 48,300, 58,700 and 11,600 vehicle trips, respectively, per day during the Reporting Period. The Jihe Expressway recorded a toll income of RMB347,572,000 during the Reporting Period, representing a decrease of approximately 38.12% from that of RMB561,726,000 in the corresponding period of last year. The Deshang and Shennan Expressways recorded a toll income of RMB275,501,000 during the Reporting Period, representing an increase of 17.10% from that of RMB235,261,000 in the corresponding period of last year.

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

Expressways managed by the Group during the Reporting Period	Total volume of passenger vehicle traffic during the Report Period ('000)	Total volume of truck and special motor vehicle traffic during the Report Period ('000)	Total traffic volume during the Report Period ('000)	Daily average traffic volume <sup>(2)</sup>
The Jihe Expressway	6,463.98	2,272.07	8,736.05	48,265
The Deshang Expressway (Liaocheng – Fan County section)	6,668.69	3,962.13	10,630.82	58,734
The Shennan Expressway	1,313.41	782.43	2,095.84	11,579

Notes:

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

## Management Discussion and Analysis

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

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

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

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

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

- (1) Due to the implementation of the half-width traffic of the main line of the Jihe Expressway as a result of its closure for site construction for its R&E Project since 16 February 2023, together with the temporary closure of certain toll stations, led to the significant decrease in the traffic volume of the Jihe Expressway, thus resulting in a material impact on the toll income; and
- (2) With the resumption normal economic and social operations, the upward momentum of overall economic operation and the increase of public travel demand, the traffic volume of the main lines of the Deshang and Shennan Expressways exhibited an upward trend.

## Management Discussion and Analysis

### **Toll Collection Policy**

Effective from 8 January 2021, the toll rates of expressways in Shandong Province are subject to the Notice of Shandong Provincial Department of Communications, Shandong Provincial Development and Reform Commission and Shandong Provincial Department of Finance on Matters Related to Expressway Tolls (Lu Jiao Cai [2021] No.3) 《山東省交通運輸廳、山東省發展和改革委員會、山東省財政廳關於高速公路車輛通行費有關事項的通知》(魯交財[2021]3號)). The classification of vehicle types shall be conducted pursuant to the Notice on Matters Related to the Implementation of the Industry Standards (JT/T489-2019) for "Vehicle Classification of the Toll for Highway" (Jiao Ban Gong Lu [2019] No.65) 《關於貫徹〈收費公路車輛通行費車型分類〉行業標準(JT/T489-2019)有關問題的通知》(交辦公路[2019]65號)).

In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial Transport Department on Clarifying Expressway ETC Preferential Policy (Lu Jiao Cai [2019] No.26) 《山東省交通運輸廳關於明確高速公路ETC優惠政策的通知》(魯交財[2019]26號)), a toll fee discount of 5% is given to all ETC vehicles driving on expressways in Shandong province; (ii) the toll exemption for vehicles of the military and armed police forces and the like; (iii) the toll exemption for small passenger vehicles with 7 seats or fewer on major festivals and holidays; (iv) the toll exemption for vehicles legally fully loaded with the products within the national Catalogue of Fresh and Alive Agricultural Products 《鮮活農產品品種目錄》; (v) with effect from 1 September 2020, as required by the Notice of the Shandong Provincial Transport Department, Shandong Development and Reform Commission and Shandong Provincial Department of Finance on the Implementation of Highway Toll Discount for Certain Trucks" (Lu Jiao Fa [2020] No.10) 《山東省交通運輸廳山東省發展和改革委員會山東省財政廳關於對部分貨車實行高速公路通行費折扣優惠的通知》(魯交發[2020]10號)), truck users who install ETC equipment on highways in Shandong Province can enjoy a 15% discount toll concession; and (vi) the toll exemptions for vehicles as required by other national policies.

### **Rental Income**

During the Reporting Period, rental income mainly representing the revenue from the advertisement business and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties, was RMB1,304,000. As at the end of the Reporting Period, there were 49 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of our revenue during the Reporting Period. Meanwhile, the Group also actively nurtured new drivers for profit growth for the leasing business.

### **Construction Business and Sale of Industrial Products**

During the Reporting Period, the Group recognised revenue from construction business and sale of industrial products of RMB1,032,166,000. The revenue from construction business mainly includes construction income generated from the R&E Project of the Jihe Expressway, revenue from highway engineering construction and municipal greening engineering services. The revenue from the sale of industrial products was mainly the income from trading business of geomaterials, construction equipment, engineering materials and other industrial products.

# Management Discussion and Analysis

## R&E Project of the Jihe Expressway

The R&E Project of the Jihe Expressway starts from the Yinjialin Hub Interchange of the Jiguang Expressway and ends at the Wangguantun Hub Interchange where Jiguang Expressway and Rilan Expressway intersect, with an estimated total investment of RMB18.6 billion and total length of 152.7 kilometers. It will be expanded from the two-way four-lane to two-way eight-lane which has a designed speed of 120km/h and a planned construction period of 30 months. It is an important part of the Shandong 9-5-1-7 Expressway Network, an important channel connecting the provincial capital economic circle and the Lunan economic circle, and also an important passage out of Shandong province.

Upon the main works of the R&E Project of the Jihe Expressway fully commenced, the R&E Project adopted the "half-width closure for construction, half-width one-way traffic" model. The half-width closure for construction is implemented in three stages, involving the alternate closure of the left and right traffic ways. The Company would be implementing the relevant traffic control measures for the first and second stages of closure for construction from 16 February 2023 to 31 December 2023. During the period, the right traffic way of the Jihe Expressway (the Jinan to Heze traffic direction) was closed, and the vehicles along the Jinan to Heze traffic direction would be diverted to the left traffic way, while those intending to travel along the Heze to Jinan traffic direction would not be permitted to enter the Jihe Expressway, and would have to bypass other expressways or national/provincial highways.

In the first half of the year, during project implementation, the Company focused on promoting the relocation of high-voltage lines and the demolition of remaining houses. The Company had promoted the design and approval work of building and construction projects, greening works and mechanical and electrical engineering projects and obtained early approval from the Ministry of Communications and Transport of Shandong Province. The Company had gradually completed the important work of tendering for the construction of all-line construction sites, housing demolition agreements and tendering for local communication and transfer of light cables. While pushing forward the construction of the entire line of work at the same time, the Company had carried out a series of activities such as the "work hard for one hundred days" labour competition, the summer mission campaign, month of quality and the creation of model for electrical and mechanical works etc. As a result, the Company had continued to achieve significant progress while project construction was in full swing. In the first half of the year, the Group completed capital investment of approximately RMB2.752 billion, accounting for 54.49% of the annual target, and successfully completed more than half of the annual target in the first half of the year. Following through, the Company will focus on the progression of 4 navigable bridges and other key projects, coordinate the scheduling of civil engineering construction, electromechanical engineering, housing and other projects, implement the "quality improvement specialised mission", and make better preparation for the filing of application as the provincial model "safe construction site" to ensure the completion of the annual investment tasks.

For further details of the R&E Project of Jihe Expressway, please refer to the announcements dated 3 May 2021, 30 September 2021, 11 October 2021, 11 March 2022, 20 May 2022, 27 July 2022, 19 August 2022, 29 November 2022 and 7 February 2023 and the circulars dated 15 November 2021, 20 July 2022 and 31 October 2022 of the Company.

# Management Discussion and Analysis

## PROSPECTS

In the first half of 2023, facing the complex and severe international environment, the weak recovery of the world economy and the arduous tasks of domestic reform, development and stabilization, China's economy adhered to the general keynote of seeking progress in stability. Market demand gradually recovered, production and supply continued to increase, the quality of development continued to improve, and the overall economic performance picked up. The economy and society have fully restored its normal operation, laying a solid foundation for achieving the annual economic and social growth targets.

Under the momentum of economic recovery, in the first half of the year, the Company focused on production and operation and project construction, went all out to catch up with the schedule, took multiple measures to seize the first opportunities, successfully overcame many unfavorable factors, and showed a good situation of revenue increase, projects advancing, rapid transformation and stable development. In the future, the Company will effectively grasp the opportunity of economic recovery, enter the fast-forward mode, make every effort to overcome the difficulties, and strive to seize the initiative for the whole year and continue to expand the profit potential to create more value for shareholders.

We will make greater efforts to increase revenue and generate profits. Firstly, the Company will enhance road appearance and traffic efficiency, the construction and application of digital intelligent operation platform, the effectiveness of plugging loopholes and combating toll evasion. Secondly, the Company will combine the characteristics of the location and its own resource endowment to create a personalized, diversified, high-value, value-added service initiatives, strengthen the "Traffic attraction (引車上路)" model to increase revenue and promote efficiency, and deepen the concept of customer service to enhance our brand awareness. Thirdly, the Company will make efforts in the investment and operation for expressway upstream and downstream industry chain, implementation of project construction, optimization of the Company's industrial structure to achieve the Company's profit model diversification.

We will push forward the construction of R&E Project at a faster pace. Firstly, the Company will coordinate and make efforts in project quality control, safe site construction, information technology empowerment, complaints in the form of letters and visits, stability maintenance and security, take serious measures on the standardization, refinement and intelligent management of the site, and go all out to improve the "acceleration" of project construction, and strive to complete the schedule in advance. Secondly, the Company will strengthen the accumulation of experience and methods of project management, tackling of key technical issues, construction organization, comprehensive coordination, financial support and talent training and other aspects to make contribution to the Company's high-quality development and extension of the new roads.

We will fully promote the improvement of quality and efficiency with a more active mechanism. Firstly, the Company will comprehensively promote quality and efficiency improvement projects based on first-class standards and focus on the development path and excellent experience of the leading enterprises in the industry and implement rigorous, detailed and solid benchmarking improvement of all elements in the whole field and whole process with high standards to effectively improve the Company's management level and comprehensive strength. Secondly, the Company will comprehensively enhance brand building and image publicity, actively create a corporate image with good credit, good reputation and high-profile brand to create a listed company brand well recognized by the capital market. Thirdly, the Company will continue to deepen reform and innovation, continue to consolidate the achievements of the three institutional reforms, further optimize the talent management mechanism, and create a highly market-oriented selection, training and employment model. Fourthly, the Company will coordinate cost management and process control, promote low-cost production and operation, lay emphasis on revenue increase and expenditure reduction, costs reduction and efficiency increase to effectively safeguard the interests of the Shareholders.



## **Management Discussion and Analysis**

We will make efforts in safety management and stability control with more stringent requirements. On one hand, the Company will maintain the foundation of risk prevention and control and combine the characteristics of the industry and business characteristics to conduct targeted risks identification, assessment, monitoring, warning, research, judgment and handling, and improve the comprehensive risk management system and mechanism. On another hand, the Company will firmly control the safety production situation, highlight key areas, stay firm to the post responsibilities, refine preventive measures, investigate safety hazards and create a harmonious and stable production and business environment.

### **EVENTS AFTER THE REPORTING PERIOD**

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

### **PUBLICATION AND DISPATCH OF INTERIM REPORT**

This report is also published on the websites of HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qllecl.com](http://www.qllecl.com)), and the 2023 Interim Report of the Group containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and published on the respective websites of the Company and HKEXnews in due course.

### SHARE CAPITAL

As at 30 June 2023, the total issued share capital of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares (comprising 1,100,000,000 H Shares and 900,000,000 Domestic Shares), with a nominal value of RMB1.00 each.

Share capital of the Company as at 30 June 2023 was as follows:

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

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

As at 30 June 2023, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Number of Shares held</b>	<b>Capacity</b>	<b>Class of Shares</b>	<b>Approximate percentage of the total number of relevant class of issued share capital of the Company</b>	<b>Approximate percentage of the total issued share capital of the Company</b>	<b>Long position/ short position</b>
Shandong Hi-Speed	778,500,000	Beneficial interest	Domestic Shares	86.50%	38.93%	Long position
Shandong Hi-Speed Group <sup>(1)</sup>	778,500,000	Interest in controlled corporation	Domestic Shares	86.50%	38.93%	Long position
COSCO SHIPPING (Hong Kong) Co., Limited	600,000,000	Beneficial interest	H Shares	54.55%	30.00%	Long position
China Shipping Group Company Limited <sup>(2)</sup>	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited <sup>(2)</sup>	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
Cornerstone Holdings Limited	173,919,000	Beneficial interest	H Shares	15.81%	8.70%	Long position
China Merchants Expressway Network & Technology Holdings Co., Ltd. <sup>(3)</sup>	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
China Merchants Group Limited <sup>(3)</sup>	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position

## Other Information

Name of Shareholder	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
Guoneng Power Technology & Engineering Co., Ltd.	121,500,000	Beneficial interest	Domestic Shares	13.50%	6.08%	Long position
China Energy Guoyuan Power Co., Ltd. <sup>(4)</sup>	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited <sup>(4)</sup>	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited <sup>(5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Holdings Limited <sup>(5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited <sup>(5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential plc <sup>(5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited <sup>(6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited <sup>(6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited <sup>(6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited <sup>(6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation <sup>(6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

### Notes:

- (1) Shandong Hi-Speed is 70.91% owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the Domestic Shares held by Shandong Hi-Speed under the SFO.
- (2) COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Shipping Group Company Limited. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited\*. Therefore, China Shipping Group Company Limited and China COSCO Shipping Corporation Limited\* are deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.
- (3) Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd. 68.65% shares of China Merchants Expressway Network & Technology Holdings Co., Ltd. are owned by China Merchants Group Limited. Therefore, China Merchants Expressway Network & Technology Holdings Co., Ltd. and China Merchants Group Limited are deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.
- (4) Guoneng Power Technology & Engineering Co., Ltd. is wholly owned by China Energy Guoyuan Power Co., Ltd.. China Energy Guoyuan Power Co., Ltd. is wholly owned by China Energy Investment Corporation Limited. Therefore, China Energy Guoyuan Power Co., Ltd. and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Guoneng Power Technology & Engineering Co., Ltd. under the SFO.

## Other Information

- (5) 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
- (6) The remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited, CITIC Limited, CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC Prudential Life Insurance Company Ltd. under the SFO.

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

As at 30 June 2023, none of the Directors, Supervisors or chief executives of the Company and their respective associates had, or was deemed to have, any interest or short position in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

During the Reporting Period, the Company or any of its subsidiaries did not repurchase, sell or redeem any of the Company's listed securities.

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Lian Shengguo resigned as a joint company secretary of the Company due to the Company's internal duties re-allocation with effect from 19 May 2023 and has continued to serve as the deputy general manager and the member of the party committee of the Company. Please refer to the announcement the Company dated 19 May 2023 for details.

References are made to the announcements of the Company dated 19 May 2023 and 27 June 2023 and the circular of the Company dated 7 June 2023 in relation to, among others, the re-election and election of Directors and Supervisors of the Company. Upon consideration and approval by the 2022 AGM, Mr. Wang Zhenjiang, Mr. Peng Hui and Mr. Liu Qiang have been appointed as executive Directors for the third session of the Board; Mr. Ma Xianghui, Ms. Kong Xia, Mr. Su Xiaodong, Mr. Kang Jian, Mr. Wang Gang, Mr. Shi Jinglei and Mr. Du Zhongming have been appointed as non-executive Directors for the third session of the Board; and Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen have been appointed as independent non-executive Directors for the third session of the Board. The above Directors together constitute the third session of the Board of the Company for a term of three years commencing from the date of approval at the 2022 AGM.

At the same date, Mr. Chen Dalong, Mr. Wang Shaochen and Mr. Zhou Cenyu retired as non-executive Directors and Mr. Cheng Xuezhao and Mr. Han Ping retired as independent non-executive Directors with effect from the conclusion of the 2022 AGM. Mr. Li Hua also ceased to be an independent non-executive Director upon conclusion of the 2022 AGM.

## Other Information

The Company convened the employee representative meeting on 19 May 2023, pursuant to which, Ms. Hou Qinghong and Mr. Hao Dehong have been re-elected as employee representative Supervisors of the third session of the Supervisory Committee and Mr. Dong Junjie have been elected as an employee representative Supervisor of the third session of the Supervisory Committee. In addition, upon consideration and approval by the 2022 AGM, Mr. Wang Shenan, Mr. Zhang Yin and Mr. Wu Yongfu have been appointed as the shareholder representative Supervisors for the third session of the Supervisory Committee; and Mr. Meng Qinghui and Mr. Dong Ensheng have been appointed as the independent Supervisors for the third session of the Supervisory Committee. The above employee representative Supervisors and non-employee representative Supervisors together constitute the third session of the Supervisory Committee for a term of three years commencing from the date of the 2022 AGM.

Mr. Wang Shun retired as the employee Supervisor on 19 May 2023 (i.e. the date of the employee representative meeting) and each of Ms. Meng Xin and Mr. Li Ruzhi respectively retired as the shareholder representative Supervisor and the independent Supervisor with effect from the conclusion of the 2022 AGM.

At the meeting of the third session of the Board held on 27 June 2023, each of Mr. Wang Zhenjiang and Mr. Ma Xianghui was elected as the chairman and the vice chairman of the third session of the Board, respectively; Mr. Peng Hui was appointed as the general manager of the Company; Mr. Chen Xiulin, Mr. Liu Liangrong, Mr. Lian Shengguo and Ms. Xu Yuehong were appointed as the deputy general managers of the Company; and Mr. Chen Xiulin was appointed as the secretary to the Board; Mr. Gao Pu was appointed as the chief financial officer of the Company; and Mr. Zhao Guangmin was appointed as the safety director of the Company, with a term of three years commencing from the same date and up to the expiry of the term of office of the third session of the Board.

Meanwhile, at the meeting of the third session of the Supervisory Committee held on 27 June 2023, Mr. Wang Shenan was appointed as the chairman of the third session of the Supervisory Committee with a term of three years commencing from the same date and up to the expiry of the term of office of the third session of the Supervisory Committee.

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

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

There were no changes in the Directors, Supervisors and senior management of the Company after the Reporting Period and up to the date of this report.

## MATERIAL LITIGATION AND ARBITRATION

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

### CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The Board is responsible for the implementation of corporate governance, including: (i) formulating, developing and reviewing the corporate governance policies and practices of the Company; (ii) reviewing and supervising the training and continuous professional development of the Directors and senior management; (iii) reviewing and supervising the policies and practices for the compliance with laws and regulatory requirements by the Company; (iv) developing, reviewing and supervising the code of conduct and compliance-related regulations, for employees and the Directors; and (v) reviewing the compliance of the Corporate Governance Code by the Company and the disclosure in the corporate governance report. The Board believes that an effective corporate governance system can safeguard the interests of Shareholders and promote the corporate value and accountability of the Company.

The Company has adopted all applicable code provisions of the Corporate Governance Code. Code provision B.2.2 of the Corporate Governance Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The terms of the second session of the Board and the Supervisory Committee of the Company had expired on 18 November 2022. As the re-elections of the Board and the Supervisory Committee were by then still undergoing the preparatory works, in order to maintain the continuity of the relevant operations of the Company, the re-election of the Board and the Supervisory Committee had been postponed. All members of the Board and the Supervisory Committee had continued to perform their respective duties and obligations in accordance with the requirements of the laws and regulations and the Articles of Association of the Company prior to the completion of the re-elections. Relevant details have been set out in the announcement of the Company dated 15 November 2022. The Company completed the aforesaid re-elections on 27 June 2023, and formed the third session of the Board and the Supervisory Committee. Save as disclosed above, during the Reporting Period, the Company had been in compliance with the applicable code provisions in Part 2 of the Corporate Governance Code.

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

### COMPLIANCE WITH THE MODEL CODE

Since the listing of the Company, the Company has adopted a code of conduct regarding the Directors' and Supervisors' securities transactions on terms not less than the required standard set out in the Model Code. Having made specific enquiries of all the Directors and Supervisors, it was confirmed that the Directors and Supervisors of the Company have complied with the Model Code in relation to securities transactions by the Directors and its own code of conduct during the Reporting Period.

### INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the six months ended 30 June 2023.

### AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2023.

# Report on Review of Interim Financial Information

## To the board of directors of Qilu Expressway Company Limited

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

## Introduction

We have reviewed the interim financial information set out on pages 23 to 48, which comprises the condensed consolidated statement of financial position of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## Ernst & Young

*Certified Public Accountants*

Hong Kong

29 August 2023

# Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>1,656,842</b>	988,210
Cost of sales		<b>(1,205,961)</b>	(387,955)
Gross profit		<b>450,881</b>	600,255
Other income and gains		<b>27,741</b>	20,204
Selling and distribution expenses		<b>(791)</b>	–
Administrative expenses		<b>(36,934)</b>	(27,899)
Impairment losses on financial assets and contract assets		<b>(3,638)</b>	(348)
Other expenses		<b>(392)</b>	–
Finance costs		<b>(38,355)</b>	(52,296)
Share of profits and losses:			
Joint ventures		<b>2,941</b>	–
An associate		<b>130</b>	862
<b>PROFIT BEFORE TAX</b>	6	<b>401,583</b>	540,778
Income tax expense	7	<b>(103,238)</b>	(135,673)
<b>PROFIT FOR THE PERIOD</b>		<b>298,345</b>	405,105
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>298,345</b>	405,105
Attributable to:			
Owners of the parent		<b>300,473</b>	405,105
Non-controlling interests		<b>(2,128)</b>	–
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
<b>Basic</b>	9		
– For profit for the period		<b>RMB0.15</b>	RMB0.20
<b>Diluted</b>			
– For profit for the period		<b>RMB0.15</b>	RMB0.20



# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	429,845	293,588
Investment properties		19,818	20,290
Right-of-use assets		92,532	94,921
Intangible assets	11	7,353,633	6,304,274
Investments in joint ventures		663,943	261,002
Investment in an associate		21,777	24,434
Deferred tax assets		5,402	4,081
Long-term deposits		457,685	410,196
Prepayments, other receivables and other assets		946,404	586,479
<b>Total non-current assets</b>		<b>9,991,039</b>	7,999,265
<b>CURRENT ASSETS</b>			
Inventories		21,957	17,355
Trade and bills receivables	12	513,611	419,143
Contract assets		91,901	70,887
Other current assets		16,567	167,931
Prepayments and other receivables		57,639	52,892
Financial assets at fair value through profit or loss		541,801	1,004,873
Restricted cash		3,309	609
Cash and cash equivalents		546,363	679,607
<b>Total current assets</b>		<b>1,793,148</b>	2,413,297
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	16	356,649	311,943
Dividend payables	8	360,000	–
Other payables and accruals		253,743	311,590
Interest-bearing bank and other borrowings	14	444,394	339,843
Lease liabilities		3,068	3,235
Tax payable		24,081	18,635
Provisions	15	115,187	123,024
<b>Total current liabilities</b>		<b>1,557,122</b>	1,108,270
<b>NET CURRENT ASSETS</b>		<b>236,026</b>	1,305,027
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,227,065</b>	9,304,292

continued/...

# Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	4,244,989	3,425,261
Lease liabilities		65,774	70,206
Other payables		18,660	20,908
Deferred tax liabilities		77,018	57,465
Deferred income		2,081	2,462
<b>Total non-current liabilities</b>		<b>4,408,522</b>	3,576,302
<b>Net assets</b>		<b>5,818,543</b>	5,727,990
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	13	2,000,000	2,000,000
Other equity instruments		1,976,133	1,812,283
Other reserves		225,758	225,758
Retained earnings		1,500,362	1,571,531
		<b>5,702,253</b>	5,609,572
Non-controlling interests		116,290	118,418
<b>Total equity</b>		<b>5,818,543</b>	5,727,990

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Note	Attributable to owners of the parent					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000		
<b>At 1 January 2023 (audited)</b>		<b>2,000,000</b>	<b>1,812,283</b>	<b>225,758</b>	<b>1,571,531</b>	<b>5,609,572</b>	<b>118,418</b>	<b>5,727,990</b>
Profit for the period		-	-	-	300,473	300,473	(2,128)	298,345
Total comprehensive income for the period		-	-	-	300,473	300,473	(2,128)	298,345
Capital invested by holders of other equity instruments – perpetual bonds		-	173,755	-	-	173,755	-	173,755
Perpetual bonds interest paid		-	(21,547)	-	-	(21,547)	-	(21,547)
Profit distribution to perpetual bonds		-	11,642	-	(11,642)	-	-	-
Final 2022 dividend declared	8	-	-	-	(360,000)	(360,000)	-	(360,000)
<b>At 30 June 2023 (unaudited)</b>		<b>2,000,000</b>	<b>1,976,133</b>	<b>225,758</b>	<b>1,500,362</b>	<b>5,702,253</b>	<b>116,290</b>	<b>5,818,543</b>

	Note	Attributable to owners of the parent					Total equity RMB'000
		Share capital RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000	
<b>At 1 January 2022 (audited)</b>		2,000,000	-	-	147,198	1,245,056	3,392,254
Profit for the period		-	-	-	-	405,105	405,105
Total comprehensive income for the period		-	-	-	-	405,105	405,105
Capital invested by holders of other equity instruments – perpetual bonds		-	1,795,628	-	-	-	1,795,628
Profit distribution to perpetual bonds		-	5,392	-	(5,392)	-	-
Final 2021 dividend declared	8	-	-	-	-	(360,000)	(360,000)
<b>At 30 June 2022 (unaudited)</b>		<b>2,000,000</b>	<b>1,801,020</b>	<b>147,198</b>	<b>1,284,769</b>	<b>5,232,987</b>	

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>401,583</b>	540,778
Adjustments for:		
Finance costs	<b>38,355</b>	52,296
Share of profits of an associate and joint ventures	<b>(3,071)</b>	(862)
Interest income from financial assets at fair value through profit or loss	<b>(8,342)</b>	(1,726)
Fair value gain from financial assets at fair value through profit or loss	<b>(1,801)</b>	(1,339)
Bank interest income	<b>(14,397)</b>	(13,661)
Gain on disposal of items of property, plant and equipment, net	<b>(341)</b>	–
Depreciation of property, plant and equipment	<b>28,105</b>	28,458
Depreciation of investment properties	<b>472</b>	451
Depreciation of right-of-use assets	<b>2,389</b>	2,200
Amortisation of intangible assets	<b>100,773</b>	124,332
Impairment of trade receivables, net	<b>3,265</b>	166
Impairment of contract assets, net	<b>373</b>	182
Foreign exchange differences, net	<b>(48)</b>	45
(Increase)/decrease in inventories	<b>(4,602)</b>	826
Increase in trade and bills receivables	<b>(97,733)</b>	(2,444)
Increase in contract assets	<b>(21,387)</b>	(5,996)
Decrease/(increase) in prepayments, other receivables and other current assets	<b>153,258</b>	(45,769)
Increase/(decrease) in trade and bills payables	<b>76,098</b>	(23,630)
Decrease in other payables and accruals	<b>(44,598)</b>	(55,876)
Decrease in provisions	<b>(7,837)</b>	(21,188)
Decrease in deferred income	<b>(381)</b>	–
Increase in restricted cash	<b>(2,700)</b>	–
Cash generated from operations	<b>597,433</b>	577,243
Interest received	<b>6,908</b>	10,525
Income tax paid	<b>(79,560)</b>	(110,543)
Net cash flows from operating activities	<b>524,781</b>	477,225

continued/...

## Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(1,140,000)	(1,200,000)
Proceeds from derecognition of financial assets at fair value through profit or loss	1,600,000	200,000
Interest received from financial assets at fair value through profit or loss	14,070	1,726
Purchase of property, plant and equipment and intangible assets	(1,724,917)	(525,498)
Purchase of investment properties	-	(205)
Proceeds from disposal of items of property, plant and equipment	1,462	-
Investments in a joint venture and an associate	(408,000)	-
Dividends received from an associate	10,787	-
Payments for other investing activities	(40,000)	(402,760)
Net cash flows used in investing activities	(1,686,598)	(1,926,737)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of perpetual bonds	173,755	1,795,628
Proceeds from interest-bearing bank and other borrowings	1,067,040	289,209
Repayment of interest-bearing bank and other borrowings	(145,317)	(160,241)
Payment of interest expenses	(36,357)	(50,790)
Principal portion of lease payments	(6,932)	(4,399)
Interest portion of lease payments	(2,117)	(1,756)
Other financing activities	(21,547)	(17,956)
Net cash flows from financing activities	1,028,525	1,849,695
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(133,292)	400,183
Cash and cash equivalents at beginning of period	679,607	587,477
Effect of foreign exchange rate changes, net	48	(45)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	546,363	987,615

# Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 1. GENERAL INFORMATION

Qilu Expressway Company Limited (the “Company”) is principally engaged in the construction, maintenance, operation and management of the Jihe Expressway, Deshang Expressway (Liaocheng – Fan County section) (“Deshang Expressway”) and Shennan Expressway in the Shandong Province in the People’s Republic of China (the “PRC”). The Company is entitled to toll collection from vehicles passing through the Jihe Expressway for a period of 30 years, starting from 26 September 2004 to 25 September 2034, and the Deshang Expressway and Shennan Expressway from 1 January 2020 to 15 November 2040 and 27 September 2043, respectively. The Company and its subsidiaries (together with the Company, the “Group”) are engaged in outdoor advertising production and distribution along the Jihe Expressway and also engaged in undertaking the highway engineering and construction business, highway engineering and construction services and road maintenance services. The Group has operations mainly in the Shandong Province in the PRC.

The Company’s H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 19 July 2018.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy of deferred tax aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) Expressway segment engages in toll collection of expressway;
- (b) Construction and other segment engages in highway engineering construction, selling of industrial products and others.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the board of directors of the Company who makes strategic decisions. Management has determined the operating segments based on these reports. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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

### Six months ended 30 June 2023

	Expressway RMB'000 (Unaudited)	Construction and other RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (note 5)</b>			
Sales to external customers	623,073	1,033,769	1,656,842
Intersegment sales	–	480,633	480,633
			<b>2,137,475</b>
<u>Reconciliation:</u>			
Elimination of intersegment sales			(480,633)
Revenue from continuing operations			<b>1,656,842</b>
<b>Segment results</b>	<b>426,530</b>	<b>25,367</b>	<b>451,897</b>
<u>Reconciliation:</u>			
Elimination of intersegment results			(1,016)
Other income and gains			27,741
Selling and distribution expenses			(791)
Administrative expenses			(36,934)
Impairment losses on financial assets and contract assets			(3,638)
Other expenses			(392)
Finance costs			(38,355)
Share of profits and losses:			
Joint ventures			2,941
An associate			130
Profit before tax			<b>401,583</b>

In 2022, considering that the revenue and profit from the businesses of rental income, construction services provided to third parties and other services are immaterial compared to the expressway business, the chief operating decision-maker reviews the performance of the Group as a whole. Accordingly, the Group has only one single reportable operating segment and no discrete operating segment financial information is available.



# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	1,655,538	985,957
Revenue from other sources		
Rental income	1,304	2,253
	1,656,842	988,210

### Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

	Expressway business RMB'000 (Unaudited)	Construction and other business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Timing of revenue recognition</b>			
Services transferred at a point in time	623,073	299	623,372
Services transferred over time	–	1,032,166	1,032,166
Total revenue from contracts with customers	623,073	1,032,465	1,655,538

For the six months ended 30 June 2022

	Expressway business RMB'000 (Unaudited)	Construction and other business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Timing of revenue recognition</b>			
Services transferred at a point in time	796,987	329	797,316
Services transferred over time	–	188,641	188,641
Total revenue from contracts with customers	796,987	188,970	985,957

## Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	28,105	28,458
Depreciation of investment properties	472	451
Depreciation of right-of-use assets	2,389	2,200
Amortisation of intangible assets	100,773	124,332
Impairment of financial assets and contract assets, net:		
Impairment of trade receivables, net	3,265	166
Impairment of contract assets, net	373	182
Gain on disposal of items of property, plant and equipment, net	(341)	–

### 7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the period (six months ended 30 June 2022: Nil).

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2022: 25%) of the assessable profits during the period.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax		
Charge for the period	84,404	116,541
Underprovision in prior periods	601	543
Deferred income tax	18,233	18,589
Total tax charge for the period	103,238	135,673

## Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

### 8. DIVIDENDS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final declared – RMB0.180 (2022: RMB0.180) per ordinary share	360,000	360,000

On 24 March 2023, the board of the Company declared a dividend of approximately RMB0.180 per ordinary share, amounting to a total of approximately RMB360,000,000, which was approved at the Company's Annual General Meeting on 27 June 2023.

As at 30 June 2023, such dividend has not been paid.

The board of the Company did not declare any interim dividend to shareholders for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. The Company has no dilutive potential shares.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings Profit attributable to owners of the parent	300,473	405,105
Shares Weighted average number of ordinary shares in issue ( <i>thousands</i> )	2,000,000	2,000,000
Basic and diluted earnings per share ( <i>expressed in RMB per share</i> )	0.15	0.20

## Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

### 10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at beginning of period	293,588	309,030
Additions	165,483	41,798
Depreciation	(28,105)	(56,431)
Disposals	(1,121)	(200)
Transfers	–	(609)
Carrying amount at end of period	429,845	293,588

### 11. INTANGIBLE ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at beginning of period	6,304,274	5,376,248
Additions	1,150,132	1,167,134
Amortisation	(100,773)	(239,108)
Carrying amount at end of period	7,353,633	6,304,274

## Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

### 12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	500,236	431,871
Impairment	(18,193)	(14,928)
Trade receivables, net	482,043	416,943
Bills receivable	31,568	2,200
	<b>513,611</b>	419,143

Trade receivables mainly consist of receivables from construction contracting and the sale of industrial products, and toll road income receivables from the Shandong Transport Department for the uncollected expressway income as at 30 June 2023 ("the end of the reporting period").

The ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	368,357	301,971
One to two years	76,743	77,158
Two to three years	36,943	37,814
	<b>482,043</b>	416,943

### 13. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of shares	2,000,000,000	2,000,000,000
Share capital (RMB'000)	2,000,000	2,000,000

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2023</b> RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current:		
Bank loans – secured	<b>217,962</b>	137,572
Bank loans – unsecured	<b>225,939</b>	201,729
Other loans – unsecured	<b>493</b>	542
	<b>444,394</b>	339,843
Non-current:		
Bank loans – secured	<b>749,476</b>	893,526
Bank loans – unsecured	<b>2,913,693</b>	1,949,735
Other loans – unsecured	<b>581,820</b>	582,000
	<b>4,244,989</b>	3,425,261
	<b>4,689,383</b>	3,765,104
	<b>30 June 2023</b> RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	<b>443,901</b>	339,301
In the second year	<b>499,555</b>	510,184
In the third to fifth years, inclusive	<b>1,303,469</b>	1,325,280
Beyond five years	<b>1,860,145</b>	1,007,797
	<b>4,107,070</b>	3,182,562
Other borrowings repayable:		
Within one year	<b>493</b>	542
In the second year	–	–
In the third to fifth years, inclusive	<b>101,820</b>	85,000
Beyond five years	<b>480,000</b>	497,000
	<b>582,313</b>	582,542
	<b>4,689,383</b>	3,765,104

## Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

### 15. PROVISIONS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at beginning of period	123,024	163,800
Additional provisions	3,237	–
Utilisation of provisions	(11,074)	(40,776)
Carrying amount at end of period	115,187	123,024

### 16. TRADE AND BILLS PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	268,954	207,331
Between 1 and 2 years	56,126	78,756
Between 2 and 3 years	31,569	25,856
	356,649	311,943

Included in the trade payables is an amount of RMB17,444,000 (31 December 2022: RMB20,869,000) due to an associate, which is payable on credit terms similar to those offered by the associate to its major customers.

### 17. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

### 18. COMMITMENTS

At 30 June 2023, the capital expenditure contracted for but not recognised as liabilities was as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Reconstruction and expansion project on the Jihe Expressway	9,763,837	10,217,292
Upgrade project of the Deshang Expressway and Shennan Expressway	50	5,274
Construction in progress of Qilu Assembly	23,182	186,647
	9,787,069	10,409,213

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

### (a) Information of related parties

Name	Relationships with the Group
Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group")	Ultimate holding company
Shandong Hi-Speed Company Limited ("Shandong Hi-Speed")	Controlling shareholder of the Company
COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)")	Shareholder of the Company
Guoneng Power Technology & Engineering Co., Ltd ("Guoneng Power")	Shareholder of the Company
Shandong Provincial Communications Planning and Design Institute Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Information Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Transportation Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Tongwei Information Engineering Co., Ltd. ("Shandong Tongwei")	Fellow subsidiary of the Company
Shandong Luqiao Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Xinlian Technology Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Information Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Inspection Co., Ltd.	Fellow subsidiary of the Company
Shandong Highway and Bridge Inspection Center Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan Car Rental Branch	Fellow subsidiary of the Company
Shandong Hi-Speed Weihai Development Co., Ltd. Luxury Blue Horizon Hotel	Fellow subsidiary of the Company
Shandong Hi-Speed (Weihai) International Trade Co., Ltd.	Fellow subsidiary of the Company
Shandong Qizhi Information Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Project Management Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Maintenance Group Co., Ltd.	Fellow subsidiary of the Company
Weihai City Commercial Bank	Fellow subsidiary of the Company
Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue")	An associate of Shandong Gangtong
Shandong Water General Co., Ltd.	Fellow subsidiary of the Company
Shandong Dongfang Road and Bridge Construction Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Industrial Development Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Smart City Service Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Supply Chain Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Group Co., Ltd. Weirong Branch	Fellow subsidiary of the Company
Shandong Hi-Speed Land Development Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Aobang Transportation Facilities Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Environmental Protection Industry Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Road and Bridge Construction Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	Fellow subsidiary of the Company



# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (a) Information of related parties (Continued)

Name	Relationships with the Group
Shandong Hi-Speed Maintenance Group Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Transportation Construction Group Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Liaocheng Industrial Development Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Building Materials Group Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Transportation Equipment Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Material Digital Technology Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed High-tech Investment Co., Ltd.	Fellow subsidiary of the Company
Shandong Traffic Engineering Supervision Consulting Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Road and Bridge Technology Co.,Ltd.	Fellow subsidiary of the Company
Huamin Lucai Phase I (Qingdao) Industrial Investment Fund Partnership (Limited Partnership)	A joint venture of Qilu Expressway Investment
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)	A joint venture of Qilu Expressway Investment

### (b) Transactions with related parties

The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Sales of goods:</b>			
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	(i)	48,607	–
Shandong Luqiao Group Co., Ltd.	(i)	30,452	–
Shandong Road and Bridge Construction Group Co., Ltd.	(i)	6,716	–
Shandong Hi-Speed Transportation Construction Group Co., Ltd.		6,211	–
Shandong Hi-Speed Maintenance Group Co., Ltd.	(i)	4,275	–
Shandong Hi-Speed Group	(i)	3,211	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	(i)	1,828	–
Jinan Xinyue	(i)	807	–
Shandong Water General Co., Ltd.	(i)	122	–
Shandong Hi-Speed Information Group Co., Ltd.	(i)	111	–
<b>Provision of services:</b>			
Shandong Dongfang Road and Bridge Construction Co., Ltd.	(i)	666	–
<b>Bank interest income:</b>			
Weihai City Commercial Bank	(i)	7	3,587
		<b>103,013</b>	3,587

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties (Continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Purchases of goods:</b>			
Shandong Hi-Speed Supply Chain Group Co., Ltd.	(i)	13,037	–
Shandong Hi-Speed Building Materials Group Co., Ltd.	(i)	5,068	–
Shandong Hi-Speed Material Digital Technology Co., Ltd.	(i)	1,626	–
Shandong Hi-Speed Maintenance Group Co., Ltd.	(i)	694	–
Jinan Xinyue	(i)	544	1,497
<b>Purchases of services:</b>			
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	(i)	408	–
Shandong Hi-Speed Xinlian Technology Co., Ltd.	(i)	372	–
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan Car Rental Branch	(i)	2	3
Shandong Hi-Speed Smart City Service Co., Ltd.	(i)	–	66
Shandong Hi-Speed Land Development Co., Ltd.	(i)	–	30,000
<b>Purchases of equipment:</b>			
Shandong Hi-Speed Information Engineering Co., Ltd.	(i)	170	–
Shandong Tongwei	(i)	6	–
<b>Employee service fees:</b>			
Shandong Hi-Speed Group	(i)/(ii)	15,739	14,364
Shandong Hi-Speed Smart City Service Co., Ltd.	(i)	1,090	–
Shandong Hi-Speed Transportation Equipment Co., Ltd.	(i)	720	–
<b>Interest expenses:</b>			
Shandong Hi-Speed Group	(iii)	8,925	–
<b>Rent of land:</b>			
Shandong Hi-Speed Group	(i)	5,774	5,774

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties (Continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Engineering and supervision fees:</b>			
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	(i)	105,675	–
Shandong Luqiao Group Co., Ltd.	(i)	72,106	–
Shandong Road and Bridge Construction Group Co., Ltd.	(i)	30,251	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	(i)	25,370	–
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	(i)	1,533	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.	(i)	986	–
Shandong Hi-Speed Smart City Service Co., Ltd.	(i)	285	–
Shandong Environmental Protection Industry Group Co., Ltd.	(i)	37	–
Shandong Hi-Speed Xinlian Technology Co., Ltd.	(i)	18	–
<b>Maintenance services fees:</b>			
Shandong Tongwei	(i)	1,074	1,030
Shandong Hi-Speed Information Group Co., Ltd.	(i)	–	322
		<b>291,510</b>	53,056

Notes:

- (i) During the reporting period, the transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed Group with an effective date of 2 June 2020 and a termination date of 31 December 2022 for the secondment of the Public-Sector Employees to provide toll collection and maintenance services for the Deshang Expressway and Shennan Expressway. Service fees are determined on a cost-plus basis based on relevant staff costs plus 6.57%. The Group and Shandong Hi-Speed Group renewed the service agreement on 30 December 2022 with same terms, extending the termination date to 31 December 2023. The service fees were RMB15,739,000 during the period (six months ended 30 June 2022: RMB14,364,000).
- (iii) The interest rate of loans to ultimate holding company is 3.05% per annum (2022: 3.05%).

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (c) Commitments with related parties

#### As at 30 June 2023

- (i) In the Jihe expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Provincial Communications Planning and Design Institute Group Co., Ltd. for consultation service, and Shandong Traffic Engineering Supervision Consulting Co., Ltd., Shandong Hi-Speed Engineering Project Management Co., Ltd., Shandong Hi-Speed Engineering Construction Group Co., Ltd., Shandong Luqiao Group Co., Ltd., Shandong Road and Bridge Construction Group Co., Ltd. for engineering and supervision fees, and Shandong Hi-Speed Engineering Inspection Co., Ltd. for technical study, and Shandong Hi-Speed Smart City Service Co., Ltd. for labor outsourcing service, and Shandong Provincial Communications Planning and Design Institute Group Co., Ltd. for design service, and Shandong Hi-Speed Land Development Co., Ltd. for farmland index adjustment service. As at 30 June 2023, the capital commitments amounted to approximately RMB69,032,000, RMB3,070,163,000, RMB5,479,000, RMB569,000, RMB4,750,000 and RMB72,510,000, respectively.

#### As at 31 December 2022

- (i) In the Jihe expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Hi-Speed Honglin Engineering Technology Co., Ltd. and Shandong Provincial Communications Planning and Design Institute Group Co., Ltd. for consultation service, and Shandong Traffic Engineering Supervision Consulting Co., Ltd., Shandong Hi-Speed Engineering Project Management Co., Ltd., Shandong Hi-Speed Engineering Construction Group Co., Ltd., Shandong Luqiao Group Co., Ltd., Shandong Road and Bridge Construction Group Co., Ltd. for engineering and supervision fees, and Shandong Hi-Speed Road and Bridge Technology Co., Ltd., Shandong Hi-Speed Engineering Inspection Co., Ltd. for technical study, and Shandong Hi-Speed Smart City Service Co., Ltd. for labor outsourcing service, and Shandong Provincial Communications Planning and Design Institute Group Co., Ltd. for design service, and Shandong Hi-Speed Land Development Co., Ltd. for farmland index adjustment service. As at 31 December 2022, the capital commitments amounted to approximately RMB69,338,000, RMB3,218,334,000, RMB7,291,000, RMB569,000, RMB4,750,000 and RMB72,510,000, respectively.
- (ii) In the Liaocheng West Interchange project, the Group agreed with Shandong Dongfang Road and Bridge Construction Co., Ltd. and Shandong Traffic Engineering Supervision Consulting Co., Ltd. to purchase the supervision service, which is expected to cost approximately RMB5,274,000.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (d) Balances with related parties

The Group had the following outstanding balances with related parties as at the end of the reporting period:

Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Deposit balance:</b>		
Weihai City Commercial Bank	1,303	26,492
<b>Prepayments and other receivables:</b>		
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	151,586	77,494
Shandong Luqiao Group Co., Ltd.	101,359	77,825
Shandong Road and Bridge Construction Group Co., Ltd.	93,409	56,583
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	1,561	2,124
Shandong Hi-Speed Engineering Project Management Co., Ltd.	1,296	2,325
Shandong Water General Co., Ltd.	901	36
Jinan Xinyue	177	453
Shandong Hi-Speed Maintenance Group Co., Ltd.	151	–
Shandong Hi-Speed Xinlian Technology Co., Ltd.	81	56
Shandong Hi-Speed Transportation Construction Group Co., Ltd.	80	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	29	8
Shandong Hi-Speed Liaocheng Industrial Development Co., Ltd.	25	–
	<b>350,655</b>	216,904
<b>Trade and bills receivables:</b>		
Shandong Luqiao Group Co., Ltd.	53,643	30,770
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	36,863	59,325
Shandong Road and Bridge Construction Group Co., Ltd.	14,552	22,856
Shandong Hi-Speed Transportation Construction Group Co., Ltd.	6,991	–
Shandong Hi-Speed Maintenance Group Co., Ltd.	4,831	–
Shandong Hi-Speed Information Group Co., Ltd.	999	–
Jinan Xinyue	831	3
Shandong Dongfang Road and Bridge Construction Co., Ltd.	180	200
	<b>118,890</b>	113,154

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (d) Balances with related parties (Continued)

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Trade and bills payables:</b>			
Shandong Hi-Speed Land Development Co., Ltd.		74,290	74,290
Jinan Xinyue		17,444	20,869
Shandong Hi-Speed Supply Chain Group Co., Ltd.		8,245	7,162
Shandong Hi-Speed Building Materials Group Co., Ltd.		5,068	–
Shandong Hi-Speed Engineering Construction Group Co., Ltd.		3,602	–
Shandong Luqiao Group Co., Ltd.		2,343	199
Shandong Hi-Speed Xinlian Technology Co., Ltd.		2,700	13,000
Shandong Hi-Speed Transportation Equipment Co., Ltd.		720	–
Shandong Tongwei		353	88
Shandong Hi-Speed Material Digital Technology Co., Ltd.		325	–
Shandong Hi-Speed Engineering Co., Ltd.		290	490
Shandong Hi-Speed Maintenance Group Co., Ltd.		231	–
Shandong Hi-Speed Smart City Service Co., Ltd.		172	180
Shandong Provincial Communications Planning and Design Institute Group Co., Ltd.		50	50
Shandong Transportation Engineering Supervision Consulting Co., Ltd.		39	70
Shandong Dongfang Road and Bridge Construction Co., Ltd.		–	26,957
		<b>115,872</b>	143,355
<b>Other payables:</b>			
Shandong Hi-Speed Group	(i)	31,683	42,503
Shandong Hi-Speed Information Group Co., Ltd.		16,469	16,469
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)		10,819	10,819
Huamin Lucai Phase I (Qingdao) Industrial Investment Fund Partnership (Limited Partnership)		6,660	6,660
Shandong Luqiao Group Co., Ltd.		2,011	200
Shandong Hi-Speed Material Digital Technology Co., Ltd.		1,269	–
Shandong Hi-Speed Building Materials Group Co., Ltd.		1,000	–
Shandong Hi-Speed Engineering Inspection Co., Ltd.		758	758
Shandong Hi-Speed Engineering Construction Group Co., Ltd.		549	–
Shandong Hi-Speed Smart City Service Co., Ltd.		352	341

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# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (d) Balances with related parties (Continued)

Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Other payables (continued):</b>		
Shandong Hi-Speed High-tech Investment Co., Ltd.	300	–
Shandong Provincial Communications Planning and Design Institute Group Co., Ltd.	206	206
Shandong Road and Bridge Construction Group Co., Ltd.	194	–
Shandong Hi-Speed Transportation Equipment Co., Ltd.	50	–
Shandong Environmental Protection Industry Group Co., Ltd.	46	46
COSCO SHIPPING (Hong Kong)	21	–
Shandong Hi-Speed Supply Chain Group Co., Ltd.	10	10
Guoneng Power	–	1,073
Shandong Hi-Speed Transportation Engineering Co., Ltd.	–	55
Shandong Aobang Transportation Facilities Engineering Co., Ltd.	–	20
	<b>72,397</b>	79,160
<b>Dividend payables:</b>		
Shandong Hi-Speed	140,130	–
COSCO SHIPPING (Hong Kong)	108,000	–
Guoneng Power	21,870	–
	<b>270,000</b>	–
<b>Interest-bearing bank and other borrowings:</b>		
Shandong Hi-Speed Group	582,313	582,542

Note:

- (i) An amount of RMB21,420,000 represented the payable for the lease of land and property of the Jihe Expressway in respect of the Concession Arrangement with an annual payment of RMB2,760,000 for the years from 2018 to 2034. The amount was measured at the present value of lease payments to be made over the lease term (31 December 2022: RMB23,668,000).

An amount of RMB10,263,000 represented the payable for employee service fees of the Deshang Expressway and Shennan Expressway (31 December 2022: RMB18,835,000).

The amount of RMB2,760,000 in relation to the land and property lease for the six months ended 30 June 2023 was paid in February 2023.

- (ii) Balances with the above related parties were unsecured and non-interest-bearing except for the interest-bearing bank and other borrowings with Shandong Hi-Speed Group with an interest rate of 3.05% (2022: 3.05%).

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (e) Cross-border fund centralised operation and management services

The Group entered into a service agreement with Shandong Hi-Speed Group with an effective date of 8 June 2023 for cross-border fund centralised operation and management. During the period from 8 June 2023 to 31 December 2023, the daily deposit balance of the Group in the cross-border fund centralised operation and management account of Shandong Hi-Speed Group shall not exceed RMB140 million. On 30 June 2023, the balance is nil. Shandong Hi-Speed Group provides the above services without charging service fees.

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	541,801	1,004,873	541,801	1,004,873
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	4,689,383	3,765,104	3,606,262	3,066,437
Other payables non-current	18,660	20,908	18,660	20,908
	4,708,043	3,786,012	3,624,922	3,087,345

Management has determined that the carrying amounts of cash and cash equivalents, trade and bills receivables, contract assets, financial assets included in prepayments and other receivables, trade payables, dividend payables and financial liabilities included in the current portion of other payables and trade and bills payables, based on their notional amounts reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments based on quoted market prices or by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of interest-bearing bank and other borrowings and the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own-performance risk for interest-bearing bank and other borrowings and the non-current portion of other payables as at 30 June 2023 were assessed to be insignificant.



# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

#### As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	541,801	–	541,801

#### As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	1,004,873	–	1,004,873

The Group did not have any financial liabilities measured at fair value at 30 June 2023 (31 December 2022: Nil).

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

## 21. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events took place after the reporting period.

## 22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 29 August 2023.