

# 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 ANNUAL REPORT





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## Definitions and Glossary of Technical Terms

“2021 to 2023 Financial Services Framework Agreement”	the financial service framework agreement entered into between the Company and Weihai City Commercial Bank on 31 August 2021
“2021-2023 General Services Framework Agreement”	the agreement dated 18 June 2021 and entered into between the Company and Shandong Hi-Speed Group for the provision of the general highway business operation services by Shandong Hi-Speed Group and its relevant subordinated entities to the Group for the three years ending 31 December 2023
“2023 AGM”	the 2023 annual general meeting of the Company to be convened and held on Wednesday, 26 June 2024 or the adjournment thereof
“2023 Deshang and Shennan Expressways Service Agreement”	the service agreement dated 30 December 2022 and entered into between the Company and Shandong Hi-Speed Group and Shandong Hi-Speed Group Liaocheng Branch in relation to, among others, the secondment of the Public-Sector Employees to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways for the year ended 31 December 2023
“2023 Final Dividend”	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.15 (tax inclusive) per Share
“2024-2026 Financial Services Framework Agreement”	Financial Services Framework Agreement dated 23 November 2023 and entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the provision of deposit services, other financial services and cross-border fund centralised operation and management services by Shandong Hi-Speed Group and its subsidiaries to the Group for the period from 1 January 2024 to 31 December 2026
“2024-2026 General Procurement Framework Agreement”	The General Procurement Framework Agreement dated 23 November 2023 and entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the procurement of certain types of goods by the Group from Shandong Hi-Speed Group and its subsidiaries for the period from 1 January 2024 to 31 December 2026
“2024-2026 General Sales Framework Agreement”	The General Sales Framework Agreement dated 23 November 2023 and entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the sale of certain types of goods by the Group to Shandong Hi-Speed Group and their Subordinated Companies during the period from 1 January 2024 to 31 December 2026

## Definitions and Glossary of Technical Terms

“2024-2026 General Services Framework Agreement”	The General Services Framework Agreement dated 23 November 2023 and entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the provision of General Highway Business Operation Services by Shandong Hi-Speed Group and its relevant Subordinated Entities to the Group for the period from 1 January 2024 to 31 December 2026
“2024-2026 Services Provision Framework Agreement”	Services Provision Framework Agreement dated 23 November 2023 and entered into between the Company and Shandong Hi-Speed Group in relation to, among other things, the provision of specific services by the Group to Shandong Hi-Speed Group and its subsidiaries
“Acquisition Circular”	the circular of the Company dated 26 June 2020 in relation to, among others, the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Company from Qilu Transportation
“Advertisement Business”	the business of the Group in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
“Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“China”, “PRC” or “State”	the People’s Republic of China, which for the purpose of this report excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“China Shipping”	China Shipping Group Company Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of COSCO SHIPPING
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“Company Law”	Company Law of the People’s Republic of China 《(中華人民共和國公司法)》
“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 C1 to the Listing Rules

## Definitions and Glossary of Technical Terms

“COSCO SHIPPING”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a limited liability company incorporated in the PRC, the entire equity interest of which is held by the Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is one of the controlling shareholders of the Company
“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd.*(中遠海運控股股份有限公司), a company listed on the Stock Exchange (stock code: 1919) and the Shanghai Stock Exchange (stock code: 601919)
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), a company incorporated in Hong Kong with limited liability, holding approximately 30.00% equity interest of the Company as at the date of this report, and is one of the controlling shareholders of the Company
“COSCO SHIPPING Industry & Trade”	COSCO SHIPPING (Hong Kong) Industry & Trade Limited, a limited company incorporated in Hong Kong, all of which is held by COSCO SHIPPING Hong Kong
“COSCO SHIPPING International”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company listed on the Stock Exchange (stock code: 517), a subsidiary of COSCO SHIPPING (Hong Kong)
“Debt Assignment Agreements”	the agreements entered into among the Company, Qilu Transportation and each of the Lending Banks upon completion of the transactions under the Transfer Agreement, to transfer the rights and obligations under the relevant bank facilities in respect of the construction projects of the Deshang and Shennan Expressways from Qilu Transportation to the Company with effect from the Transfer Agreement Effective Date
“Debt Assumption Agreement”	the agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which the Company agreed to assume the loans provided by Qilu Transportation for the Deshang and Shennan Expressways construction projects and the repayment thereof to Qilu Transportation with effect from the Transfer Agreement Effective Date
“Deshang and Shennan Expressways”	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Deshang and Shennan Expressways Land Lease Agreement”	the land use right lease agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which Qilu Transportation agreed to lease the land use rights in respect of a total of 27 parcels of land under the main line and the alongside facilities (excluding advertising and service facilities) of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular

## Definitions and Glossary of Technical Terms

“Deshang and Shennan Expressways Service Agreement”	the agreement dated 2 June 2020 and entered into among the Company, Qilu Transportation Liaocheng Branch and Qilu Transportation for the secondment of the employees of Qilu Transportation Liaocheng Branch recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular
“Deshang and Shennan Expressways Toll Collection Rights”	the toll collection rights in respect of the Deshang and Shennan Expressways to be transferred to the Company under the Transfer Agreement, such rights comprise the rights in relation to (i) the operation, maintenance and management of the expressways and (ii) toll collection from vehicles passing along the expressways but do not include the operating rights in respect of the Advertisement Business (including the leasing of advertisement billboards built along the expressways and the provision of the advertisement publication services on those advertisement billboards) and operations of the service facilities along the expressways
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometers
“Director(s)”	director(s) of the Company
“Domestic Unlisted Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Unlisted Shareholder(s)”	holder(s) of the Domestic Unlisted Share(s)
“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“General Procurement Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the procurement by the Group for certain types of goods from Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023

## Definitions and Glossary of Technical Terms

“General Sales Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the sales of certain types of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“Group”, “us” or “we”	the Company and all of its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS”	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan – Guangzhou Expressway (Jinan to Heze Section), the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometers
“Jihe Expressway Land Lease Agreement”	the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company the land use rights in respect of the land parcels of the Jihe Expressway, details of which are set out in the Prospectus
“Jihe Expressway Property Lease Agreement”	the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company a total of 45 properties used by the seven management centres and one maintenance and emergency response centre on the Jihe Expressway, details of which are set out in the Prospectus
“Joint Restructuring”	the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group pursuant to the Merger Agreement

## Definitions and Glossary of Technical Terms

“Lending Bank(s)”	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Subbranch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), Agricultural Bank of China Limited Jinan Yinhe Subbranch (中國農業銀行股份有限公司濟南銀河支行), Industrial and Commercial Bank of China Limited Jinan Centre Subbranch (中國工商銀行股份有限公司濟南市中支行), Bank of Communications Co., Ltd. Jinan Long’ao Subbranch (交通銀行股份有限公司濟南龍奧支行) and Shanghai Pudong Development Bank Co. Ltd. Jinan Heping Road Subbranch (上海浦東發展銀行股份有限公司濟南和平路支行)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger Agreement”	the merger agreement dated 23 September 2020 and entered into between Shandong Hi-Speed Group and Qilu Transportation in relation to the Joint Restructuring
“Ministry of Transport”	the Ministry of Transport of the People’s Republic of China (中華人民共和國交通運輸部)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“NFRA”	National Financial Regulatory Administration
“Nomination Committee”	the nomination committee of the Board
“Other Financial Services”	services including bank acceptance notes, discounting of commercial bills, domestic letters of guarantees, letters of credit, online remittance, foreign exchange remittance and other financial services approved by NFRA
“PBOC”	the People’s Bank of China, the central bank of the PRC
“Prospectus”	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering
“Qilu 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 directly and indirectly through Qilu Expressway (Hong Kong) Company Limited as to an aggregate of 60% of its equity interest



## Definitions and Glossary of Technical Terms

“Qilu Transportation”	Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015 and deregistered by the PRC competent authorities upon completion of the Joint Restructuring on 16 November 2020, and a then controlling shareholder before completion of the Joint Restructuring
“Qilu Transportation Liaocheng Branch”	Shandong Hi-Speed Group Company Limited Liaocheng Branch (山東高速集團有限公司聊城分公司) (formerly known as Qilu Transportation Development Group Company Limited Liaocheng Branch (齊魯交通發展集團有限公司聊城分公司)), formerly a branch company of Qilu Transportation before completion of the Joint Restructuring and currently a branch company of Shandong Hi-Speed Group
“R&E Project”	the Jihe Expressway reconstruction and expansion project
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Reporting Period” or “Year”	the year ended 31 December 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Services Provision Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022 in relation to, among other things, the provision of specific services from the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong 9-5-1-7 Expressway Network”	the “nine-vertical; five-traverse; one-ring and seven-radians and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2018-2035) 《(山東省高速公路網中長期規劃(2018-2035))》 promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 km by 2035
“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this report

## Definitions and Glossary of Technical Terms

“Shandong Hi-Speed”	Shandong Hi-speed Company Limited (山東高速股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding approximately 38.93% of the total issued Shares of the Company as at the date of this report, is an existing controlling shareholder
“Shandong Hi-Speed Group”	Shandong Hi-Speed Group Company Limited (山東高速集團有限公司), a limited liability company incorporated in the PRC, indirectly holding approximately 38.93% of the total issued Shares of the Company through its subsidiary Shandong Hi-Speed, is a current controlling shareholder
“Shandong Hi-Speed Group and its relevant subordinated entities”	Shandong Hi-Speed Group and its subsidiaries, branches and associates
“Shandong Hi-Speed Rail Transportation Group”	Shandong Hi-Speed Rail Transportation Group Co., Ltd. (山東高速軌道交通集團有限公司), a company incorporated in the PRC with limited liability, which is directly held as to 49% and 51% by Shandong Hi-speed Group and Shandong Hi-speed respectively, a subsidiary of Shandong Hi-speed Group
“Shandong Provincial Government”	People’s Government of Shandong Province, China (中國山東省人民政府)
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the Shandong Province (山東省政府國有資產監督管理委員會)
“Shandong Shunguang Industrial”	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC, a wholly-owned subsidiary of the Company as at the date of this report
“Shandong Transport Department”	Shandong Provincial Traffic Transport Department (山東省交通運輸廳)
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shennan Expressway”	an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometers

## Definitions and Glossary of Technical Terms

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“Subsisting Agreements”	collectively the Jihe Expressway Property Lease Agreement, the Jihe Expressway Land Lease Agreement, the Deshang and Shennan Expressways Land Lease Agreement, the Debt Assignment Agreement, the Debt Assumption Agreement and the Deshang and Shennan Expressways Service Agreement
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law
“Tripartite Agreements”	the tripartite agreements of which Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution on 26 November 2020 in relation to, among other things, the confirmation of the assumption of all contractual rights and obligations of Qilu Transportation under the Subsisting Agreements by Shandong Hi-Speed Group
“Weihai City Commercial Bank”	Weihai City Commercial Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (stock code: 9677)
“Xinyue Material”	Jinan Xinyue New Road Material Research and Development Company Limited (濟南鑫岳新型道路材料研發有限公司), a limited liability company incorporated under the laws of the PRC and an associate held by the Group through Shandong Gangtong Construction as to 40% of its equity interest
“%”	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

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

### (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)

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

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

Room 2301, Block 4  
Zone 3, Hanyu Financial & Business Centre  
No. 7000, Jingshi East Road  
High-tech Zone, Jinan City  
Shandong Province, the 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 Subbranch  
Industrial and Commercial Bank of China Limited Jinan Centre Subbranch  
Bank of Communications Co., Ltd. Jinan Long'ao Subbranch  
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.qlecl.com](http://www.qlecl.com)

### STOCK CODE

1576

## Chairman's Statement

Dear valued Shareholders,

In the year 2023 that has just passed, we confronted the rapid evolution of the global landscape and a turbulent external environment. With unwavering confidence and scientific approaches, we forged ahead with resolute determination. Amidst a complex and ever-changing situation, we followed a more certain path of high-quality development, enhancing the quality and efficiency of our core responsibilities and business. We have made substantial achievements in key projects and solid advancements in industrial transformation while gaining abundant momentum of our development. We have embraced a more proactive role in fulfilling our social responsibilities and delivered an exceptional response that withstands scrutiny to the challenges we faced!

Looking back on 2023, we strengthened our roots and forged our spirits, as faith and consensus shone brightly within Qilu Expressway. With a high-level initiation, we solidly carried out the thematic education on studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We have planned a series of activities centered around the themes of “the great emancipation of the mind, the great improvement of ability, the great effort in conducting investigate and survey, and the great change of work style, aiming to achieve new accomplishments in thematic education and create a new phase of high-quality development. The Company Song Singing Competition and the Art Performance Celebrating Youth Day on May 4th was successfully organised. Additionally, the Party Discipline and Regulations Knowledge Competition fostered a strong atmosphere of “building integrity and emphasizing compliance”. The vibrant initiative of “Wisdom•Qilu Home Tour” reflected the energetic spirit of Qilu Expressway’s employees. Throughout the year, we emphasized politics, the overall situation, dedication, and practical results. We took responsibilities, united, and forged ahead, creating a stronger atmosphere of commitment to work as a team and embark on entrepreneurial endeavors.

Looking back on 2023, we deepened our transformation, leaving an indelible imprint of integration and advancement within Qilu Expressway. Guided by the “customer-centric” approach, we signed 14 new “Expressways+” agreements with scenic spots and tourist attractions along the expressway. This endeavor elevated the experience of drivers and passengers, achieving new heights in the practice of “transportation and tourism integration”. We implemented the national “dual-carbon” major strategic decisions, and marked a vital stride towards “transportation and energy integration” by successfully connecting the Liaocheng Road Area Photovoltaic Project to the grid with a total installed capacity of 8.2MW. We focused on constructing a new pattern of transformation and development with the “dual-wheel drive” approach. The Smart Transportation Industrial Park (Phase I) went into full operation, propelling investment projects forward. The building materials industry experienced remarkable growth, while the growth momentum of structural optimization and industrial upgrading became even more stronger. With our development prospects firmly anchored in the present and strategically planned for the future, our capacity and potential to generate value for society, shareholders, and employees significantly surged!

## Chairman's Statement

Looking back on 2023, we courageously embraced weighty responsibilities and achieved significant breakthroughs within Qilu Expressway. We took on the crucial mission of rebuilding the vital north-south transportation artery in the province. We fearlessly engaged in battle, demonstrating our ability to fight and emerge victorious. The Jihe Expressway R&E project advanced rapidly, accelerating its progress. We efficiently completed the expansion and widening of the half range of four-lane expressways. The initial batch of four toll stations were renovated and upgraded to meet the "Cloud Toll Collection" standards. The traffic flow towards Heze has been seamlessly transitioned to the newly constructed half of the expressway. From scorching heat to freezing cold, from dawn till dusk, every builder exemplified a spirit of shouldering responsibilities, selfless dedication, and unwavering determination. Their commendable spirit deserves praise, while the achieved results were satisfying. Key projects are advancing with remarkable success, both in terms of quantity and quality, and the construction momentum is soaring even higher!

Looking back on 2023, we made significant strides in reform and innovation, ensuring the sustained vitality and efficiency of Qilu Expressway. Our focus remained on "management empowerment" and "governance efficiency, aiming to comprehensively enhance the long-term value of our development. We successfully help the 2022 annual results presentation and the 2023 interim results roadshow, engaging with over 120 renowned domestic and international investors and analysts. Through these interactions, we effectively conveyed the investment value and positive development trends of Qilu Expressway to the global capital market. We continued to carry out in-depth benchmarking for first-class quality and efficiency improvement projects, while establishing a robust compliance management system. Moody's annual tracking rating on us remained at a high level of Baa2, affirming our industry standing. Three of our projects were selected for inclusion in the second class of technological innovation project plans in Shandong Province. By consolidating our development foundation and emphasizing quality and efficiency improvements, we fortified our progress and determination to work at the forefront of the industry!

Looking ahead to 2024, party leadership is the core proposition as we move towards a brighter future. We will remain committed to thoroughly studying and implementing the spirit of the 20th National Congress of the Communist Party of China. We will fully, accurately, and comprehensively implement the new development concept, transform the Party's innovation theory into a strong driving force for the Company's development, and actively support the construction of a strong transportation country and a strong transportation province. The Company will take comprehensive measures to promote the deep integration of Party building with production and operations. We will persistently advance the comprehensive and strict governance of the Party and explore a path of "Qilu Expressway Practice" with Chinese-style modernization characteristics by harnessing collective strength and wisdom.

Looking ahead to 2024, deepening reform is a crucial step towards a brighter future for us. A new phase of deepening and enhancing the reform of state-owned enterprises has commenced. We will seize this opportunity to elevate the quality of our operational outcomes through structural optimisation and industrial expansion. We will focus on improving the quality and efficiency of our operations through management innovation and efficiency enhancements. Moreover, we will prioritise development safety by placing a strong emphasis on prevention and effectively managing and mitigating risks.

## Chairman's Statement

Looking ahead to 2024, green innovation is the foremost driving force for us to move towards a brighter future. We will unswervingly follow the path of ecological priority and green development, continue to optimise the layout of strategic emerging industries, and strive to establish a new benchmark for green and low-carbon development of the industry. By embracing the corporate mission of "Intelligent Travel for a Better Future.", we will accelerate digital transformation and upgrading, bolster our confidence in innovation. scale the heights of science and technology, and empower high-quality development with new quality productivity.

Looking ahead to 2024, our commitment to creating value is deeply rooted in our pursuit of a brighter future. By steadfastly relying on employees for development, we strive for the well-being of our employees, ensuring they experience a sense of achievement, happiness, and security. We will adhere to the concept of "reassuring and satisfying shareholders, striving to generate greater value and returns through enhanced performance. Our focus remains on our core responsibilities and business, where we will optimise our services, improve efficiency, and ensure seamless traffic flow. We are resolutely committed to achieving the goal of opening the Jihe Expressway to traffic with "two-way eight lanes". We actively contribute to the realisation of an inspiring vision where people can enjoy their travels while ensuring a smooth flow of logistics.

In 2024, every individual of Qilu Expressway carries the weight of glory on their shoulders and performs missions that lie ahead. We remain steadfast in consolidating the foundation of "stability" while continuously igniting the momentum of "progress". With unwavering confidence, we march forward towards a brighter future! Our confidence knows no bounds as we march ahead with unwavering determination!

**Qilu Expressway Company Limited**

**Wang Zhenjiang**

*Chairman*

26 March 2024



## Financial Highlights

	Change <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated) <sup>(1)</sup>	2019 <i>RMB'000</i>
<b>Summary of consolidated statement of profit or loss and other comprehensive income</b>						
Revenue	2,677,535	<b>5,608,829</b>	2,931,294	1,995,309	1,689,536	1,632,243
Gross profit	(347,403)	<b>811,984</b>	1,159,387	1,323,681	983,133	951,850
Profit before income tax	(327,930)	<b>713,591</b>	1,041,521	1,141,820	827,281	795,250
Profit and total comprehensive income attributable to owners of the Company	(246,153)	<b>533,903</b>	780,056	853,434	620,776	595,728
Basic/diluted earnings per share ( <i>RMB</i> )	(0.14)	<b>0.25</b>	0.39	0.43	0.31	0.30
<b>Summary of consolidated statement of financial position</b>						
Cash and cash equivalents	(280,650)	<b>398,957</b>	679,607	587,477	74,731	1,397,177
Current liabilities	614,267	<b>1,722,537</b>	1,108,270	900,279	976,446	1,358,613
Total assets	4,094,470	<b>14,507,032</b>	10,412,562	6,632,886	6,708,047	7,990,673
Borrowings	3,337,411	<b>7,102,515</b>	3,765,104	2,575,958	3,257,067	2,541,985
Gearing ratio (%)	17.59%	<b>53.08%</b>	35.49%	36.96%	52.33%	18.79%
Net assets per Share ( <i>RMB</i> )	0.17	<b>3.03</b>	2.86	1.70	1.45	2.47
Return on net assets (%)	-4.70%	<b>8.92%</b>	13.62%	25.16%	21.41%	12.04%
<b>Summary of consolidated statement of cash flows</b>						
Net cash flows from operating activities	233,823	<b>964,302</b>	730,479	1,346,890	1,138,143	1,370,233
Net cash flows from investing activities	(1,158,242)	<b>(4,298,320)</b>	(3,140,078)	336,473	(2,734,529)	(181,944)
Net cash flows from financing activities	550,294	<b>3,055,897</b>	2,505,603	(1,170,262)	271,424	(800,720)
Net increase (decrease) in cash and cash equivalents	(374,125)	<b>(278,121)</b>	96,004	513,101	(1,324,962)	387,569

*Note:*

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

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Operations

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 engineering, and sales of industrial products and other businesses.

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

In addition, the Company actively carried out the R&E Project of the Jihe Expressway during the Reporting Period and the relevant work was progressing 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, the Group recorded a revenue of approximately RMB5,608,829,000, representing an increase of approximately 91.34% as compared with that of approximately RMB2,931,294,000 of last year among which included the revenue from the Expressway Business which amounted to approximately RMB1,144,716,000, representing a decrease of approximately 26.58% as compared with that of approximately RMB1,559,161,000 of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB577,261,000, representing a decrease of approximately 47.04% as compared with that of approximately RMB1,089,928,000 of last year. The toll income from the Deshang and Shennan Expressways was approximately RMB567,455,000, representing an increase of approximately 20.93% compared with that of approximately RMB469,233,000 of last year.

### Expressway

Traffic volume on the Jihe Expressway during the Reporting Period decreased by approximately 43.73% from approximately 69,400 vehicles per day of last year to approximately 39,000 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) increased by 27.20% from approximately 46,000 vehicles per day of last year to approximately 58,500 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway increased by 34.58% from approximately 8,900 vehicles per day of last year to approximately 12,000 vehicles per day during the Reporting Period. The above changes in toll income and traffic volume were mainly attributable to the decrease in traffic volume as a result of the half-width closure for the construction of the Jihe Expressway which resulted in lower toll income from Jihe Expressway. Moreover, as compared to 2022, the overall economy in 2023 has exhibited a recovery and growth. This has resulted in an increased demand for "compensatory travel" among the public, leading to a notable rise in both traffic volume and toll income on Deshang Expressway (Liaocheng – Fan County section) and the main line of the Shennan Expressway. For further details of the change in traffic volume of the above expressways during the period, please refer to the sub-section headed "Business Review – Expressway Business" under this section.

## Management Discussion and Analysis

### *Construction and others*

During the Reporting Period, the Group recognised revenue from the construction business and sales of industrial products related to construction of approximately RMB4,461,812,000, representing an increase of approximately 226.28% as compared with that of approximately RMB1,367,470,000 of last year, which was mainly attributable to the accelerated progress of the construction of the R&E Project leading to the increase in related construction revenue and the increase in revenue from the commencement of operation of Shandong Shunguang Industrial and Qilu Expressway Assembly. For details of the construction business, please refer to the sub-section headed “Business Review – Construction Business and Sale of Industrial Products” under this section.

During the Reporting Period, the Group recorded the rental income of approximately RMB2,301,000, representing a decrease of approximately 50.65% from that of RMB4,663,000 of last year. The rental income mainly represented the service income arising from leasing of the advertisement billboards along both sides of the Jihe Expressway of approximately RMB1,352,000 (representing a decrease of approximately 54.08% from that of approximately RMB2,944,000 of last year), and the rental income from the leasing of the communication signal transmission pipelines along the expressways and investment properties of approximately RMB949,000 (representing a decrease of approximately 44.79% from that of RMB1,719,000 of last year).

### *Cost of Sales and Gross Profit*

During the Reporting Period, the cost of sales and gross profit of the Group were approximately RMB4,796,845,000 and RMB811,984,000 respectively, as compared to those of approximately RMB1,771,907,000 and RMB1,159,387,000 of last year, representing an increase of approximately 170.72% and a decrease of approximately 29.96%, respectively. Gross profit margin of the Group was approximately 14.48% for the Reporting Period, representing a year-on-year decrease of approximately 25.07 percentage points as compared with that of approximately 39.55% of last year. Cost of sales of the Group during the Reporting Period were mainly incurred from the 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 relatively large increase in the cost of sales as compared to that of last year was mainly due to the significant increase in costs associated with the construction of the R&E Project and the sale of industrial products. Whereas, the Group’s revenue from the construction of the R&E Project and the sale of industrial products recorded an increase from that of the previous year, it had led to a relatively significant increase in the cost of sales, thereby leading to a decrease in terms of both the Group’s gross profit and gross margin for the Reporting Period when compared to those of the previous year.

## Management Discussion and Analysis

### *Other Income and Gains*

During the Reporting Period, the Group recorded other income and gains of approximately RMB71,454,000, which mainly comprised gains on investment in structured deposits, bank interest income and income from road damage compensation. The year-on-year increase of approximately 26.70% in other income and gains from approximately RMB56,396,000 of last year was mainly attributable to the increase in investment income from structured deposits.

### *Administrative Expenses*

During the Reporting Period, administrative expenses from the Group's operations were approximately RMB106,667,000, representing an increase of approximately 38.11% as compared to that of approximately RMB77,233,000 of last year. Such increase in administrative expenses was mainly attributable to the commencement of operation of Qilu Expressway Assembly. The administrative expenses of the Group mainly comprised salaries and wages, depreciation of property, plant and equipment, transportation expenses and professional fees.

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

During the Reporting Period, the impairment losses on financial assets and contract assets were approximately RMB12,823,000, representing an increase of approximately 27.56% from RMB10,052,000 of last year, mainly attributable to the commencement of operation of Qilu Expressway Assembly and the increase in contract assets.

### *Other Expenses*

During the Reporting Period, the other expenses of the Group were approximately RMB19,241,000, representing an increase of approximately 387.85% as compared to approximately RMB3,944,000 of last year, which was mainly attributable to the commencement of operation of Qilu Expressway Assembly as well as the increase in sales costs of Shandong Shunguang Industrial and Shandong Gangtong Construction.

### *Finance Costs*

During the Reporting Period, the finance costs of the Group were approximately RMB68,284,000, representing a decrease of approximately 28.68% as compared to approximately RMB95,739,000 of last year. During the Reporting Period, partial repayment of loan principal, together with a reduction in the interest rate applicable to the outstanding loan, resulting in lower finance charges for the Group as compared to last year.

## Management Discussion and Analysis

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

During the Reporting Period, the Group's share of profit of an associate and joint ventures were approximately RMB39,174,000 (last year: approximately RMB12,706,000), representing the share of profit of the Group's associate and joint ventures in the Reporting Period accounted for under the equity method of accounting.

### *Net Profit Attributable to the Parent During the Year*

During the Reporting Period, the profit attributable to owners of the parent was approximately RMB525,260,000, representing a decrease of approximately 32.80% as compared to that of approximately RMB781,691,000 for last year. The decrease in profit during the Reporting Period was primarily attributable to the half-width closure for construction in respect of the R&E Project of the Jihe Expressway.

### *Liquidity and Financial Resources*

During the Reporting Period, the Group financed its operations and capital expenditures with the Group's internal resources, floating-rate bank loans and borrowings from Shandong Hi-Speed Group. As at 31 December 2023, the Group had total loans of approximately RMB7,102,515,000 (as at 31 December 2022: approximately RMB3,765,104,000), interest of which were accrued based on floating rates and were denominated in RMB, and total cash and cash equivalents (including bank deposits and cash) of approximately RMB398,957,000 (as at 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 its daily operation needs and capital requirements for future development. As at 31 December 2023, the Group's gearing ratio, as calculated by dividing net debt<sup>(1)</sup> by total capital<sup>(2)</sup>, was approximately 53.08% (as at 31 December 2022: 35.49%).

#### *Notes:*

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

(2) *Total capital = equity attributable to owners of the parent + net debt*

### *Pledge of Assets and Contingent Liabilities*

As at 31 December 2023, the Group's toll collection rights in respect of the Deshang and Shennan Expressways were pledged to secure a bank loan granted by a financing bank for the related construction project financing. As at 31 December 2023, the net carrying amount of the toll collection rights in respect of (i) the Deshang Expressway (Liaocheng – Fan County section) and (ii) Shennan Expressway was RMB2,100,745,000 and RMB756,325,000, respectively. Save as mentioned above, as at 31 December 2023, the Group had no material pledge of assets or contingent liabilities.

## Management Discussion and Analysis

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

As at 31 December 2023, the Group had a total of 696 (as at 31 December 2022: 693) employees in the PRC, including management staff, engineers and technicians, etc.. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB203,667,000 (approximately RMB172,481,000 for 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 its employees based on their performance, qualification, position and seniority within the Group. The Group also provides the employees with continuing education and regular on-the-job training based on their job duties. In compliance with the requirements of the PRC laws and regulations, the Group contributes to the State-sponsored retirement scheme (i.e. pension insurance) for its employee in the PRC. The Group's employees make monthly contributions to the scheme at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant income, subject to certain ceilings. 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 (that is, 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 its transactions settled in Renminbi.

As at 31 December 2023, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

## Management Discussion and Analysis

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

The Company did not have any significant investment, material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period.

### BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue of approximately RMB5,608,829,000, representing a year-on-year increase of approximately 91.34%. The Expressway Business remained as the Group's principal business, from which the Group realised a toll income of approximately RMB1,144,716,000, representing a year-on-year decrease of approximately 26.58%. The revenue from the construction business, sales of industrial products, rental income and other services businesses was approximately RMB4,464,113,000, representing a year-on-year increase of approximately 225.34%. During the Reporting Period, the Group recorded profit before tax of approximately RMB713,591,000, representing a year-on-year decrease of approximately 31.49%. Profit for the year was approximately RMB533,903,000 (last year: approximately RMB780,056,000), generating earnings per share of approximately RMB0.25 (last year: approximately RMB0.39).

#### Expressway Business

In 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.

Due to the impact of factors such as the implementation of half-width closure for construction of the Jihe Expressway R&E project in 2023, there was an decrease in the traffic volume of the Jihe Expressway and an increase in traffic volume of the Deshang and Shennan Expressways during the Reporting Period as compared with the previous year. The Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded daily traffic volume of approximately 39,000, 58,500 and 12,000 vehicle trips, respectively, during the Reporting Period. The Group recorded a toll income of RMB577,261,000 from the Jihe Expressway during the Reporting Period, representing a decrease of approximately 47.04% from that of RMB1,089,928,000 of last year. The Deshang and Shennan Expressways recorded a toll income of approximately RMB567,455,000 during the Reporting Period, representing an increase of approximately 20.93% from that of approximately RMB469,233,000 of last year.

## Management Discussion and Analysis

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

<b>Expressways managed by the Group during the Reporting Period</b>	<b>Total volume of passenger vehicle traffic throughout the year</b> ( <i>'000</i> )	<b>Total volume of truck and special motor vehicle traffic throughout the year</b> ( <i>'000</i> )	<b>Total traffic volume throughout the year</b> ( <i>'000</i> )	<b>Daily average traffic volume<sup>(2)</sup></b>
The Jihe Expressway	10,604.93	3,644.24	14,249.17	39,039
The Deshang Expressway (Liaocheng – Fan County section)	13,306.47	8,039.22	21,345.69	58,481
The Shennan Expressway	2,799.26	1,577.88	4,377.14	11,992

Notes:

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

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

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

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

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



## Management Discussion and Analysis

In addition to 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 a combination of the following factors:

1. Commencing from 16 February 2023, the Jihe Expressway R&E Project entered the implementation phase of closure for construction. As the half-width of the main line and certain toll stations were closed for construction, there was a decline in traffic flow and toll income.
2. As compared to 2022, the overall economy in 2023 has exhibited a recovery and growth. This has resulted in an increased demand for “compensatory travel” among the public, leading to a notable rise in both traffic volume and toll income on Deshang Expressway (Liaocheng – Fan County section) and the main line of the Shennan Expressway.

### *Toll Collection Policy*

Effective from 8 January 2021, the toll rates of the Jihe Expressway and the Deshang and Shennan Expressways are subject to the Notice of Shandong Provincial Department of Communications, Shandong Provincial Development and Reform Commission and Shandong Provincial Department of Finance on Matters Related to Expressway Tolls (Lu Jiao Cai [2021] No.3)《山東省交通廳山東省發展和改革委員會山東省財政廳關於高速公路通行費有關事項的通知》(魯交財[2021]3 號)). The classification of vehicle types is 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) the toll exemptions for vehicles as required by other national policies; and (vi) according to the requirements of the Notice of the Shandong Provincial Department of Transportation, Shandong Provincial Development and Reform Commission, Shandong Provincial Department of Finance on the Implementation of Expressway Toll Discount for Some Freight Cars (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)), from 1 September 2020, the toll discount of 15% will be implemented for freight car users who drive the expressway in our province and install ETC package equipment.

## Management Discussion and Analysis

### Rental Income

During the Reporting Period, the Group's rental income mainly represented the revenue from the Advertisement Business and the leasing of the communication signal transmission pipeline along the expressways and the investment properties of approximately RMB2,301,000. As at the end of the Reporting Period, there were 12 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of the Group's revenue during the Reporting Period. Meanwhile, the Group was actively nurturing new revenue growth points for the leasing business.

### Construction Business and Sale of Industrial Products

During the Reporting Period, the Group recognised revenue of approximately RMB4,461,812,000 from construction business and sales of industrial products. Revenue from the construction business was mainly from the construction revenue recognised from the R&E Project of the Jihu Expressway, revenue from highway construction and revenue from municipal greening services; revenue from the sale of industrial products was mainly from the trading business of industrial products such as geotechnical materials, construction equipment and engineering materials.

### R&E Project of the Jihe Expressway

The R&E Project of the Jihe Expressway starts from the Yinjialin Hub Interchange where the Jiguang Expressway and Beijing-Taipei Expressway intersect, and ends at the Wangguantun Hub Interchange where the Jiguang Expressway and the 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 the Shandong Province.

Upon the main works of the R&E Project of the Jihe Expressway fully commenced, the "half-width closure for construction, half-width one-way traffic" model was adopted. Since 16 February 2023, the Company has closed the half-width of Jinan-Heze Expressway (from Jinan to Heze) to carry out half-width closure for construction. The half-width construction was completed and passed acceptance test by the Provincial Department of Transport on 12 December 2023, while the traffics traveling to the Heze direction has been fully transferred to the new half-width on 26 December 2023. This transition has resulted in a substantial improvement in road capacity. In the coming year, the Company will continue the construction of the remaining half width while bolstering its investment in workforce and equipment resources. The Company will comprehensively and continuously promote the construction boom, striving to complete the Jihe Expressway reconstruction for open to traffic by the end of 2024. Throughout the year, the Company will intensify its efforts to reach the goal of creation of "the first zero-carbon reconstructed and expanded expressway in the nation".

## Management Discussion and Analysis

During the Reporting Period, in accordance with the overall traffic management plan of “half-width closure for construction, half-width open to traffic”, the Company smoothly completed road closures in the Jinan direction and the overall diversion of traffic. The Company obtained approval for the electromechanical construction drawings from the Provincial Department of Transportation one month ahead of the scheduled timeline. At the same time, the R&E Project of Jihe Expressway focused on promoting the integration and application of new technologies, new equipment and new systems, which required more scientific research efforts. The transformation and upgrading of the first batch of four toll stations were completed based on the “cloud toll collection” standard, and more than 20 new technologies were applied. We made concerted effort to construct “safe, smooth and smart” expressways, creating a 100-year quality project of safety and establishing a demonstrative R&E Project of expressways in Shandong Province.

For further details and the construction schedule of the R&E Project of the 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, 7 February 2023 and 20 December 2023, and the circulars dated 15 November 2021, 20 July 2022 and 31 October 2022 of the Company.

### PROSPECTS

2024 is a groundbreaking year for the Company as we reach the culmination of the R&E Project for the Jihe Expressway. It is also a critical year for the Company to implement the 14th Five-Year Plan and a momentous year when the transformation and development strategy gains momentum and achieves a breakthrough. The entire Qilu Expressway team stands united, committed to delivering excellence throughout the year.

In the new year, the Company will prioritise its core responsibilities and business and intensify its strategic transformation efforts. The Company will expedite innovative, open, green, and low-carbon development initiatives. Moreover, the Company will be committed to ensuring the construction of key projects while comprehensively enhancing the quality of its production and operations. With strengthened confidence, the Company will confront challenges head-on, focus on overcoming obstacles, and enhance the core function and core competitiveness of “creating value for society, shareholders, and employees.” By doing so, the Company strive to forge a new path to become a “first-class highway comprehensive service provider”. First, the Company must firmly anchor its pursuit of the leading position in the industry. To achieve this, the Company will concentrate its efforts on key areas such as smart empowerment, integration and upgrading, and enhancing the customer experience. Meanwhile, the Company will strive to make significant breakthroughs in upgrading and elevating its core business operations. Second, its focus will be on ensuring the seamless completion of ongoing projects and achieving breakthroughs in the culmination of key projects. The Company will make every possible effort to achieve an “ahead-of-schedule” outcome and accelerate the completion of the Jihe Expressway R&E project. The Company step up its efforts to enhance the “green element” by placing a stronger emphasis on “wisdom, intelligence, and smart manufacturing.” Through enabling innovation to improve quality, the Company will actively explore internal opportunities to reduce cost. In addition, its emphasis will be on creating value. The Company direct its concentration towards creating “value” by actively promoting its implication, accumulating

## Management Discussion and Analysis

project experience, and maximizing the value derived from project construction. Third, the Company will focus on transformation and upgrading. By utilizing capital operations, the Company can explore new tracks for industrial operations and drive progress in green and low-carbon initiatives, making significant breakthroughs in upgrading the overall level of industrial development. Fourth, the Company must focus on the driving role of new forces. The Company will harness the power of technological innovation to drive advancements in “quality and efficiency”. and establish a mechanism for “introducing and nurturing” talents. The digital transformation must be directed towards the “integration of data and reality,” bringing significant breakthroughs for cultivating and strengthening new productive forces. Fifth, the Company will focus on the fundamental support. The Company drive significant improvements in governance and management thought implementing reforms across three areas, promoting the construction of a safety development system, as well as making significant breakthroughs in establishing and improving market-oriented and legalized operating mechanisms. Sixth, the Company will prioritize Party leadership and leverage its advantages to drive its development and let Party’s discipline serve as a deterrent. The Company will solidly promote the construction of a harmonious enterprise, actively practice a style of practical work and responsibility, and make breakthroughs in enhancing the cohesion of development synergy.

### EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 20 December 2023 in relation to, among others, the half-width closure for construction in respect of the R&E Project of the Jihe Expressway. In relation to the main works of the R&E Project, the second stage of closure for construction has been completed and has moved on to the third stage. The R&E Project adopts the “half-width closure for construction, half-width one-way traffic” model, involving the alternate closure of the left and right traffic ways. After consultation with the relevant competent authorities, taking into account of the construction needs, the Company implemented the relevant traffic control measures for the third stage of closure for construction on various sections of the Jihe Expressway in the Jinan traffic direction from 20 December 2023 onwards. Commencing from the date of implementation of the control measures to 31 December 2024, the Jihe Expressway in the Heze to Jinan traffic direction would be closed, and the vehicles along the Jinan to Heze traffic direction would either remain on normal traffic or be re-directed to travel on some other sections of the expressway, 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. To facilitate the third stage of closure for construction, all entrances and exits at the toll stations in Pingyin South and Liangshan would be closed. The entrances and exits at the toll station in Dongping would remain open for traffic until 10:00 on 30 March 2024, upon when it would be closed for construction works until 30 September 2024. The Company will closely monitor the situation and assess its impact on the traffic volume and toll income of the Jihe Expressway and the results of the Group for the year ending 31 December 2024 and make disclosure in respect of the aforesaid development of the aforesaid issues in accordance with the requirements of the relevant laws and regulations and the Listing Rules.

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

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2023.

## CORPORATE GOVERNANCE

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

The Company has adopted 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 of the Company had expired on 18 November 2022. As the re-election of the Board was still in preparation at that time, in order to ensure the continuity of the relevant work of the Company, the Board postponed and completed the re-elections and elections of directors to the Company's third session of the Board at the 2022 annual general meetings of the Company held on 27 June 2023. All members of the Board continued to fulfill their respective duties and responsibilities in accordance with the requirements of the laws and regulations and the articles of association until the re-elections were completed. Save as disclosed above, throughout the Year, the Company was 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 continuous compliance of the Corporate Governance Code.

## Corporate Governance Report

### CORPORATE CULTURE

Since its establishment, the Group's business has continued to expand in an orderly manner with unique features. With the advent of the era of digital economy and the changes in the domestic and international economic environment and industry development situation, the Group has systematically formed its cultural concepts and value propositions in the new era, condensed into its unique corporate culture brand "Smart Beauty of Qilu", and realized the Group's goal of sustainable and high-quality development.

#### Smart

- In the future, the Company will implement a diversified development strategy, guided by intelligent transportation, driven by scientific and technological innovation, and industry-finance interaction. Meanwhile, it will cultivate intellectual-intensive professionals, promote high-quality development of enterprises, and strive to become an international and modern first-class enterprise.

#### Beauty

- The Company is a Hong Kong listed company with specialized main business and stable benefits, exquisite and beautiful. The mission of the Company is to connect the beautiful world, enable a better travel life and create a better future.

#### Travel

- The Company gained a heavy customer traffic and travels at high speed. The staff will continue to improve and forge ahead with good conduct.

The sound is the same as the "beauty", the ancients pursued "benevolent enjoys mountains, the wise man takes pleasure in water, and the Tao follows nature", which can be the best! The humanistic realm pursued by the business philosophy of the Group is "road – vehicle – people – network", which is in harmony with heaven and earth, nature and ecology. The Company adheres to the cultural concept of "Smart Beauty of Qilu", creates intelligent expressway, smooth, safe, comfortable and harmonious expressway, and pursues the goal of sustainable development, so as to make the development of the Group stable and far.

## Corporate Governance Report

### THE BOARD

#### Duties and Division of Responsibilities

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

#### Chairman of the Board and General Manager

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

#### Composition of the Board

As at 31 December 2023, the Board was comprised of fifteen Directors, including three executive Directors, namely Mr. Wang Zhenjiang (Chairman of the Board), Mr. Peng Hui (General Manager) and Mr. Liu Qiang; seven non-executive Directors, namely Mr. Ma Xianghui, Ms. Kong Xia, Mr. Su Xiaodong, Mr. Kang Jian, Mr. Wang Gang, Mr. Shi Jinglei and Mr. Du Zhongming; and five independent non-executive Directors, namely Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen. Brief biographies of the Directors are set out in the section headed “Profiles of Directors, Supervisors and Senior Management” in this report.

## Corporate Governance Report

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

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

### **Time Commitment of Directors**

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

### **Training and Professional Development of Directors**

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



## Corporate Governance Report

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

Name	Attending or participating in seminars/reading materials relevant to the director's responsibilities
<b>Executive Directors</b>	
Mr. Wang Zhenjiang ( <i>Chairman of the Board</i> )	✓
Mr. Peng Hui	✓
Mr. Liu Qiang	✓
<b>Non-executive Directors</b>	
Mr. Ma Xianghui ( <i>appointed as a non-executive Director on 27 June 2023</i> )	✓
Ms. Kong Xia	✓
Mr. Su Xiaodong	✓
Mr. Kang Jian ( <i>appointed as a non-executive Director on 27 June 2023</i> )	✓
Mr. Wang Gang ( <i>appointed as a non-executive Director on 27 June 2023</i> )	✓
Mr. Shi Jinglei	✓
Mr. Du Zhongming	✓
Mr. Chen Dalong ( <i>retired as a non-executive Director on 27 June 2023</i> )	✓
Mr. Wang Shaochen ( <i>retired as a non-executive Director on 27 June 2023</i> )	✓
Mr. Zhou Genyu ( <i>retired as a non-executive Director on 27 June 2023</i> )	✓
<b>Independent Non-executive Directors</b>	
Mr. Liu Hongwei ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	✓
Mr. He Jiale	✓
Mr. Wang Lingfang	✓
Mr. Leng Ping ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	✓
Ms. Shen Chen ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	✓
Mr. Cheng Xuezhan ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	✓
Mr. Li Hua ( <i>ceased to be an independent non-executive Director on 27 June 2023</i> )	✓
Mr. Han Ping ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	✓

### Meetings of the Board

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

## Corporate Governance Report

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

During the Year, the Board convened 7 meetings. The attendance record of the Directors at the Board meetings convened in the Year is as follows:

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Number of meetings attended by appointing another Director as proxy	Attendance rate
<b>Executive Directors</b>			
– Mr. Wang Zhenjiang ( <i>Chairman of the Board</i> )	7/7	0	100%
– Mr. Peng Hui	7/7	0	100%
– Mr. Liu Qiang	7/7	0	100%
<b>Non-executive Directors</b>			
– Mr. Ma Xianghui ( <i>appointed as a non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Ms. Kong Xia	7/7	0	100%
– Mr. Su Xiaodong	7/7	0	100%
– Mr. Kang Jian ( <i>appointed as a non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Mr. Wang Gang ( <i>appointed as a non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Mr. Shi Jinglei	7/7	0	100%
– Mr. Du Zhongming	7/7	0	100%
– Mr. Chen Dalong ( <i>retired as a non-executive Director on 27 June 2023</i> )	3/3	0	100%
– Mr. Wang Shaochen ( <i>retired as a non-executive Director on 27 June 2023</i> )	3/3	0	100%
– Mr. Zhou Cenyu ( <i>retired as a non-executive Director on 27 June 2023</i> )	3/3	0	100%

## Corporate Governance Report

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Number of meetings attended by appointing another Director as proxy	Attendance rate
<b>Independent Non-executive Directors</b>			
– Mr. Liu Hongwei ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Mr. He Jiale	7/7	0	100%
– Mr. Wang Lingfang	7/7	0	100%
– Mr. Leng Ping ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Ms. Shen Chen ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	4/4	0	100%
– Mr. Cheng Xuezhao ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	3/3	0	100%
– Mr. Li Hua ( <i>ceased to be an independent non-executive Director on 27 June 2023</i> )	3/3	0	100%
– Mr. Han Ping ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	3/3	0	100%

## Corporate Governance Report

During the Year, the Company held 2 general meetings. The attendance record of the Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Attendance rate
<b>Executive Directors</b>		
– Mr. Wang Zhenjiang ( <i>Chairman of the Board</i> )	2/2	100%
– Mr. Peng Hui	2/2	100%
– Mr. Liu Qiang	2/2	100%
<b>Non-executive Directors</b>		
– Mr. Ma Xianghui ( <i>appointed as a non-executive Director on 27 June 2023</i> )	1/1	100%
– Ms. Kong Xia	2/2	100%
– Mr. Su Xiaodong	2/2	100%
– Mr. Kang Jian ( <i>appointed as a non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Wang Gang ( <i>appointed as a non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Shi Jinglei	2/2	100%
– Mr. Du Zhongming	2/2	100%
– Mr. Chen Dalong ( <i>retired as a non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Wang Shaochen ( <i>retired as a non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Zhou Cenyu ( <i>retired as a non-executive Director on 27 June 2023</i> )	1/1	100%
<b>Independent Non-executive Directors</b>		
– Mr. Liu Hongwei ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. He Jiale	2/2	100%
– Mr. Wang Lingfang	2/2	100%
– Mr. Leng Ping ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	1/1	100%
– Ms. Shen Chen ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Cheng Xuezhao ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Li Hua ( <i>ceased to be an independent non-executive Director on 27 June 2023</i> )	1/1	100%
– Mr. Han Ping ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	1/1	100%

## Corporate Governance Report

### Board Committees

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

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

Name	Number of meetings attended/Number of meetings held during Director's term of office			
	Audit Committee	Remuneration and Assessment Committee	Nomination Committee	Strategy Committee
<b>Executive Directors</b>				
– Mr. Wang Zhenjiang ( <i>Chairman of the Board</i> )	–	–	3/3	1/1
– Mr. Peng Hui	–	–	–	1/1
– Mr. Liu Qiang	–	–	–	1/1
<b>Non-executive Directors</b>				
– Mr. Wang Shaochen ( <i>retired as a non-executive Director on 27 June 2023</i> )	2/2	–	–	1/1
– Mr. Ma Xianghui ( <i>appointed as a non-executive Director on 27 June 2023</i> )	–	–	–	0/0
– Ms. Kong Xia	–	–	–	0/0
– Mr. Wang Gang ( <i>appointed as a non-executive Director on 27 June 2023</i> )	–	–	–	0/0
– Mr. Shi Jinglei	1/1	–	–	–
<b>Independent Non-executive Directors</b>				
– Mr. Cheng Xuezhan ( <i>retired as an independent non-executive Director on 27 June 2023</i> )	–	2/2	2/2	–
– Mr. Li Hua ( <i>ceased to be an independent non-executive Director on 27 June 2023</i> )	2/2	2/2	2/2	1/1
– Mr. Wang Lingfang	–	3/3	3/3	–
– Mr. He Jiale	3/3	–	–	–
– Mr. Liu Hongwei ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	1/1	1/1	–	–
– Mr. Leng Ping ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	–	1/1	1/1	–
– Ms. Shen Chen ( <i>appointed as an independent non-executive Director on 27 June 2023</i> )	–	–	1/1	–

## Corporate Governance Report

### Audit Committee

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

The Audit Committee comprises three Directors, namely Mr. He Jiale, Mr. Shi Jinglei and Mr. Liu Hongwei. Mr. He Jiale, an independent non-executive Director, acts as the chairman of the committee. All members of the Audit Committee are non-executive Directors, among whom, Mr. He Jiale and Mr. Liu Hongwei are independent non-executive Directors.

During the Year, the Audit Committee convened 3 meetings to, among other things, review the financial results of the Group for the year ended 31 December 2022 and the financial results of the Group for the six months ended 30 June 2023 before submission to the Board for approval, discuss the proposal for the re-appointment of auditor for the year, discuss and consider the audit plan of the auditor for the year, and discuss the risk management and internal control systems of the Group currently in force.

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

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

## Corporate Governance Report

### Summary of work performed by the Audit Committee

- To consider and adopt the Company's profit distribution and dividend declaration plan for the year of 2022 and to ensure the profit distribution is legal and compliant;
- To consider the final financial report for the year of 2022 and the financial budget for the year of 2023 of the Company to ensure the preparation of the final financial report and financial budget is scientific and reasonable;
- To consider the 2022 financial statements, the representation letters and results announcement issued by the external auditor to ensure the truthfulness and completeness of the annual financial data of external disclosure;
- To consider the Company's 2022 internal control evaluation report and review the effectiveness of the internal controls;
- To consider and approve the re-appointment of the auditor for 2023 and to determine the related audit fees;
- To consider the report on the Company's related party transactions and continuing connected transactions for 2022 and to ensure the truthfulness of the external disclosure of connected transactions;
- To consider the Company's 2023 interim financial statements, statement and results announcement to ensure the truthfulness and integrity of the financial disclosure data;
- To consider the Company's 2023 interim report to ensure the truthfulness and reasonableness of the data in the interim report;
- To consider and approve the resolution of the Company not distribute the interim dividend;
- To review the reasonableness of the annual audit plan of the external auditor and approve the implementation of the audit plan; and
- To invite external auditors to the meeting to discuss the 2022 annual results and 2023 interim results.

## Corporate Governance Report

### Remuneration and Appraisal Committee

The major responsibilities and authorisations of the Remuneration and Appraisal Committee include: (i) evaluating the remuneration structures and policies for all Directors and senior management of the Company and providing advice to the Board on establishing of formal and transparent procedures for the formulation of remuneration policy; (ii) studying the policy and structure of the remunerations (including non-monetary benefits, pensions and allowances) and formulating the procedures for remuneration policy, and providing advice to the Board in this regard; formulating the procedures for remuneration policy shall be normal and open; (iii) making recommendations to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving the compensation arrangements for Directors who are dismissed or removed due to their misconduct so as to ensure that the arrangements are consistent with the contractual terms or are otherwise reasonable and appropriate if not consistent with the contractual terms; (v) monitoring the implementation of the remuneration policy for Directors, Supervisors and senior management; and (vi) review and/or approve matters relating to share schemes as set out in Chapter 17 of the Listing Rules. The terms of reference of the Remuneration and Appraisal Committee are available on the websites of the Company and the HKEXnews.

The Remuneration and Appraisal Committee comprises three Directors, namely Mr. Lliu Hongwei, Mr. Wang Lingfang and Mr. Leng Ping, all being independent non-executive Directors. Mr. Lliu Hongwei, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Remuneration and Appraisal Committee convened 3 meetings to discuss the remuneration packages of Directors and senior management and make recommendations to the Board in this regard.

### Directors' Remuneration Policy

The Company provided remuneration in the form of salaries, social security, housing funds, enterprise annuity and other benefits to executive Directors, directors and senior management members who are also employees of the Company; provided fixed remuneration to the independent non-executive Directors with reference to the industry conditions and the actual situation of the Company's production and operation. No remuneration of any form will be provided to the non-executive Directors.

The Company will regularly review its remuneration based on the Company's development and operations and recommend remuneration adjustments where appropriate and seek the Board's endorsement for and Shareholders' approval of any recommended changes.

In accordance with paragraph E.1.5 of the Code provision of the Corporate Governance Code, the remunerations of the Directors, Supervisors and senior management by remuneration band for the year ended 31 December 2023 are set out below:

<b>No. (Notes)</b>	<b>Remuneration band</b> (RMB)	<b>Number of persons</b>
1	0—500,000	28
2	500,001—1,000,000	9
3	1,000,001—1,500,000	2



## Corporate Governance Report

### *Notes:*

No.1 includes 18 Directors and 10 Supervisors;

No.2 includes 1 Director, 1 Supervisor and 7 members of the senior management; and

No.3 includes 2 Directors.

Further details of the remunerations of the Directors and the five highest-paid employees as required to be disclosed under Appendix D2 to the Listing Rules are set out in Notes 8 and 9 to the financial statements for the Year.

### **Nomination Committee**

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

The Nomination Committee comprises four Directors, namely Mr. Wang Zhenjiang, being the chairman of the Board, and Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen, being independent non-executive Directors. Independent non-executive Directors represent a majority of the committee. Mr. Wang Zhenjiang, the chairman of the Board, acts as the chairman of the committee.

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

During the Year, the Nomination Committee held 3 meetings to discuss the nomination policy, the independence of independent non-executive Directors, and the eligibility of candidates for the appointment as senior management of the Company.

### **Nomination of Directors**

In accordance with the Articles of Association, candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by Shareholder(s) individually or in aggregate holding more than 3% of the Shares of the Company. The Nomination Committee shall verify the qualifications and conditions of the candidates of Directors, submit it to the Board for consideration on the appointment of the candidate upon determination, and a written resolution shall be proposed at a general meeting for approval by resolutions passed by the Board.

## Corporate Governance Report

### Strategy Committee

The major responsibilities and authorisations of the Strategy Committee include: (i) studying and making recommendations on the long-term development strategy of the Company; (ii) studying and making recommendations on major investment and financing plans that are subject to approval of the Board as required by the Articles of Association; (iii) studying and making recommendations on major capital operation and asset operation that are subject to approval of the Board as required by the Articles of Association; (iv) studying and making recommendations on other significant matters affecting the development of the Company; (v) inspecting the implementation of the above matters; and (vi) performing other duties delegated by the Board. The terms of reference of the Strategy Committee are available on the websites of the Company and the HKEXnews.

The Strategy Committee comprises five Directors, including two executive Directors and three non-executive Directors, namely Mr. Wang Zhenjiang, Mr. Ma Xianghui, Mr. Peng Hui, Ms. Kong Xia and Mr. Wang Gang. Mr. Wang Zhenjiang, the chairman of the Board, acts as the chairman of the committee.

During the Year, the Strategy Committee held 1 meeting to discuss the implementation of the investment plan for 2022 and the investment plan of the Company for 2023.

### Diversity of the Board

In accordance with the Listing Rules, the Board has developed and adopted the Board Diversity Policy. It emphasizes that in determining the Board's composition, Board diversity has been considered from a number of aspects. All the appointments to the Board will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, taking into account various factors including gender, age, culture and educational background, professional experience, skills, knowledge and length of service. The Company shall consider its own business model and specific needs from time to time and make final decisions based on merits and contributions that the candidates will bring to the Board.

With reference to the policy above, the Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules in terms of the following factors:

- **Age:** At present, the members of the Board cover the age group from more than 40 to more than 60. The diversity of age groups helps the members of the Board to bring a variety of thinking;
- **Educational backgrounds and professional knowledge:** The members of the Board come from different educational backgrounds, including business administration, law, marine engineering management, traffic and transportation management, chemical engineering related to polymer materials and thermodynamics equipment of power plant. A number of Directors have obtained master's and doctoral degrees and other professional accreditation qualifications, including certified public accountant in China, senior political analyst, professorate senior engineer and senior economist. It also reflects that the Group's expressway operation management and related supporting material supply businesses involve different professional fields. The educational background of the members of the Board helps to guarantee the professionalism of the Group's business; and

## Corporate Governance Report

- **Industry experience:** The members of the Board have relatively sufficient industry experience in their respective fields, including participating in different domestic and cross-border businesses in the operation management, investment management and other enterprises of infrastructure projects such as expressway, energy and port transportation, which brings foresight to the Company's business development and international vision.

To sum up, the Directors are of the opinion that the composition of the Board is in compliance with the board diversity requirements of the Board Diversity Policy and the Listing Rules in terms of gender, age, educational background, industry experience, region and duration of service, and reflects an appropriate mix of skills, experience and diversity that are relevant to the Group's strategy, governance and business and contribute to the Board's effectiveness and efficiency. Information about the Board's current composition (including the skills and experience of Directors) is set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

As at the end of Reporting Period, the Board of the Company has two female members. During the renewal of the Board, the Company has introduced one more female member to the composition of the current Board. In addition, female directors have been appointed to both the Strategy Committee and the Nomination Committee of the Board, effectively achieving the diversification goals established last year.

In terms of the employees of the Group, the Company adheres to the people-oriented management concept, respects and protects the rights and interests of employees, standardizes the career development path, accelerates the construction of talent team, and helps employees grow. During the Reporting Period, the Company followed the principle of "openness, fairness, competition and merit-based selection" to recruit and train employees. As of the end of the Reporting Period, the Group had 696 employees, including 261 female employees, accounting for about 37.5% of all employees. A total of 585 employees (accounting for about 84% of all employees) belong to the age group of 30 to 50, with 47 and 64 employees aged below 30 and above 50 respectively. During the Reporting Period, there were 15 new employees, of which 6 belonged to the age group under 30. This just reflects the Group's adherence to the principle of equality between men and women in social recruitment, and it will actively cultivate suitable talents from young employees, provide promotion opportunities, and strive to continuously improve the diversity of the Group's staff, senior management and Directors in terms of personal ability, professional background and gender. In conclusion, the Company believes it has achieved diversity in the fields of gender and age among its employees, and the Company is committed to progressively enhancing diversity in terms of gender and background in future renewal of the Board as well as employee training and promotion, ensuring a systematic and progressive manifestation of diversity.

# Corporate Governance Report

## DIRECTORS

### Appointment and Re-election of Directors

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

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

Each of the current Directors has entered into a service contract with the Company for a term of three years, commencing from the date of approval by Shareholders for the appointment, and subject to termination in accordance with the terms of the respective contracts. Reference is made to the announcement dated 15 November 2022 of the Company, in relation to, among other things, the postponement of re-election of the Board. As stated in the announcement, the terms of the second session of the Board of the Company expired on 18 November 2022. The service contracts of the members of the second session of the Board, including Mr. Wang Zhenjiang, Mr. Peng Hui, Mr. Liu Qiang, Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Du Zhongming, Mr. Shi Jinglei, Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping have expired on the same date. As the re-election of the Board was still in preparation at that time, in order to ensure the continuity of the relevant work of the Company, the Board completed the re-election and election of directors to the Company's third session of the Board at the 2022 annual general meeting, which was postponed to 27 June 2023. As of the date of this report, all directors of the third session of the Board of the Company have signed service contracts with the Company.

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

### Independence of Independent Non-executive Directors

The Company currently has five independent non-executive Directors, and none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirements of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business or financial interest in the Company or its subsidiaries, nor do they hold any management position in the Company.

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

## Corporate Governance Report

### Independent Input Mechanisms

- |  |   |
|--|---|
| <b>Board and committees' structure</b>   | <ul style="list-style-type: none"> <li>As of the end of the Reporting Period, the Board of Directors of the Company composed of 15 members includes 5 independent non-executive Directors. It complies with the requirements of the Listing Rules that independent non-executive directors should account for one-third of the number of directors and not less than three.</li> </ul>  |
| <b>Independent non-executive Directors' tenure</b>                                       | <ul style="list-style-type: none"> <li>In accordance with the requirements of the Articles of Association, the term of office for independent non-executive Directors shall be three years, and eligible to offer himself for re-election, but shall not exceed nine years.</li> </ul>  |
| <b>Independent non-executive Directors' remuneration</b>                                 | <ul style="list-style-type: none"> <li>Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate. The Company has not established an incentive scheme related to its Shares.</li> </ul>   |
| <b>Appointment of independent non-executive Directors</b>                                | <ul style="list-style-type: none"> <li>Independent search firm(s) can be engaged by the Nomination Committee to help identify potential candidates for appointment of independent non-executive Directors.</li> <li>In assessing suitability of the candidates, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skills and experience, the list of selection criteria approved by the Board and the Board Diversity Policy.</li> </ul> |
| <b>Annual review of independent non-executive Directors' commitment and independence</b> | <ul style="list-style-type: none"> <li>The Nomination Committee reviews annually each Director's time commitment to HKEX's business. Directors' attendance records during the Reporting Period are disclosed in the section head "Meetings of the Board" contained in the Corporate Governance Report.</li> <li>Independent non-executive Directors' independence is assessed upon appointment, annually, and as the circumstances require.</li> </ul>  |
| <b>Management of the conflict of interests</b>   | <ul style="list-style-type: none"> <li>The internal system of the Company contains provisions for the avoidance of conflicts of interest and provides guidance on the actions to be taken by Directors in relation to conflicts of interest.</li> </ul>   |
| <b>Professional advice</b>   | <ul style="list-style-type: none"> <li>Directors may consult the Joint Company Secretaries of the Company or the Securities Investment Department on matters relating to the performance of their duties, as well as external professional advisers and legal advisers at the Company's expense.</li> </ul>   |
| <b>Evaluation of the performance of the Board</b>  | <ul style="list-style-type: none"> <li>The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.</li> <li>The Board is of the view that the implementation of the above mechanism can effectively ensure that the Board receives independent views and opinions.</li> </ul>   |

## Corporate Governance Report

### Compliance with the Model Code

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

### Directors' Responsibilities for Preparation of Financial Statements

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

According to Code Provision C.3.1 of the Corporate Governance Code, management shall provide sufficient explanation and information to the Board so that the Board can make an informed assessment of financial and other information before such information is submitted to the Board for approval. The Company shall also provide all members of the Board with monthly updates on the performance, position and prospects of the Group.

## SHAREHOLDERS AND GENERAL MEETINGS

### Particulars of Controlling Shareholders and Ultimate Controlling Shareholders

During the Reporting Period, the controlling shareholders of the Company were Shandong Hi-Speed Group, Shandong Hi-Speed, COSCO SHIPPING, China Shipping and COSCO SHIPPING (Hong Kong).

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

Particulars of the shareholding of substantial shareholders during the Year and Non-competition Agreement and commitments of controlling shareholders are set out in the section headed "Report of the Board of Directors" in this report.

## Corporate Governance Report

### General Meetings

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

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

During the Reporting Period, the Company convened 1 annual general meeting and 1 extraordinary general meeting. For details of the proposals and resolutions considered at these meetings, please refer to the relevant announcements published on the websites of the HKEXnews and the Company.

### CONTROL SYSTEM

#### Supervisory Committee

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

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

As at 31 December 2023, the Supervisory Committee comprises eight members, including three employee representative Supervisors (namely Mr. Dong Junjie, Ms. Hou Qinghong and Mr. Hao Dehong), three Shareholder representative Supervisors (namely Mr. Wang Shenan, the chairman of the Supervisory Committee, Mr. Zhang Yin and Mr. Wu Yongfu) and two independent Supervisors (namely Mr. Meng Qinghui and Mr. Dong Ensheng).

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

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

## Corporate Governance Report

During the Year, the Supervisory Committee convened 4 regular meetings, to review the production and operation of the Company, procedures for decision-making, compliance of operations, financial position and regulated management of internal control, to supervise the performance of duties by the Directors and senior management of the Company, and to discuss and review the financial report, business report and profit distribution plan to be submitted by the Board for approval at the general meeting.

Reference is made to the announcement dated 15 November 2022 of the Company, in relation to, among other things, the postponement of re-election of the Supervisory Committee. As stated in the announcement, the terms of the second session of the Supervisory Committee of the Company expired on 18 November 2022. The service contracts of the members of the second session of the Supervisory Committee, including Ms. Meng Xin, Mr. Zhang Yin, Mr. Wu Yongfu, Mr. Wang Shun, Mr. Hao Dehong, Ms. Hou Qinghong, Mr. Li Ruzhi and Mr. Meng Qinghui have expired on the same date. As the re-election of the Board was still in preparation at that time, in order to ensure the continuity of the relevant work of the Company, the re-election of the Board was postponed. The Company convened an employee representative meeting on 19 May 2023 to conduct the re-election and election of the employee representative supervisors for the third session of the Supervisory Committee. At the annual general meeting held on 27 June 2023, the Company successfully completed the election of the non-employee representative Supervisors for the third session of Supervisory Committee. These non-employee representative Supervisors joined the abovementioned employee representative Supervisors to form the complete third session of Supervisory Committee. As of the date of this report, all Supervisors of the third session of the Supervisory Committee of the Company have signed service contracts with the Company.

### Internal Control and Risk Management

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

The Board recognises it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibility (together with the relevant authority) for risk management and internal control to the Audit Committee. The Audit Committee is responsible for supervising the design, implementation and monitoring of the management in respect of risk management and internal control systems. The management has confirmed to the Audit Committee (and the Board) the effectiveness of such systems for the year ended 31 December 2023.

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

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



## Corporate Governance Report

Scope of responsibilities:

### *Board*

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

### *Audit Committee*

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

### *Management*

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

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

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

## Corporate Governance Report

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

#### 1. Risk identification

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

#### 2. Risk assessment

Assess risks identified and classify them by risk level.

#### 3. Risk response

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

#### 4. Risk monitoring

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

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

### Internal Audit Function

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

### Handling and Dissemination of Inside Information

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

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

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

## Corporate Governance Report

### AUDITORS AND THEIR REMUNERATIONS

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

<b>Service provided</b>	<b>Fee paid or payable</b> <i>RMB'000</i>
Audit fee	910
Non-audit fee	
– Interim review	650

### JOINT COMPANY SECRETARIES

Reference is made to announcement of the Company dated 19 May 2023 in relation to, among other things, the change of the Company's joint company secretary. The former Joint Company Secretary (i) Ms. So Shuk Yi Betty tendered her resignation as a Joint Company Secretary due to adjustment in her work arrangement; and (ii) Mr. Lian Shengguo tendered his resignation as a Joint Company Secretary due to the Company's internal duties re-allocation, with effect from 19 May 2023. Ms. Zhang Xiao and Mr. Shi Wenjiang have been appointed as the Joint Company Secretary, with effect from 19 May 2023.

The biographical details of Ms. Zhang and Mr. Shi are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

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

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

### SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONSHIP

#### Procedures for Convening Extraordinary General Meeting

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

## Corporate Governance Report

### Procedures for Making Enquiry to the Board

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

Shareholders may make their enquiries and questions to the Board by sending to the Securities Investment Department of the Company at the following address:

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

Telephone: +86 (531) 8720 7088

### Procedures for Making Proposals at General Meetings

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

### Amendments to the Constitutional Documents

During the Year, the Company has not made amendments to the Articles of Association.

### Communication with Investors and Investor Relationship

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

By implementing the Investor Relation Management Policy, the Company enhances investors' and Shareholders' understanding and recognition of the Company through reasonable information disclosure and exchange. At the same time, transparent information disclosure helps to improve the level of corporate governance, so as to maximize the overall interests of the Company and protect the legitimate rights and interests of investors and Shareholders.

## Corporate Governance Report

The Investor Relation Management Policy are summarized as follows:

### Purpose of investor relationship management

- Promote the benign relationship between the Company and investors, and enhance investors' further understanding and familiarity with the Company;
- Establish a stable and high-quality investor base and obtain long-term market support;
- Form a corporate culture that serves and respects investors; and
- Promote the benign relationship between the Company and investors, increase the transparency of the Company's information disclosure and improve corporate governance.

### Basic principles of investor relationship management

- The Company adheres to the following principles in the work of investor relationship management, including:
  - (i) **The principle of full and compliant disclosure of information:** actively disclose other relevant information that investors care about, and ensure that the information disclosure is true, accurate, complete and timely;
  - (ii) **The principle of equal opportunity for investors:** the Company shall treat all Shareholders and potential investors fairly and avoid selective information disclosure;
  - (iii) **The principle of honesty and trustworthiness:** the investor relationship work should be objective, true and accurate to avoid excessive publicity and misleading;
  - (iv) **The principle of high efficiency and low consumption:** when selecting the working mode of investor relations, the Company should fully consider improving communication efficiency and reducing communication costs; and
  - (v) **The principle of interactive communication:** the Company should actively listen to the opinions and suggestions of investors, realize two-way communication between the Company and investors, and form a positive interaction.

## Corporate Governance Report

### Target of investor relationship management

- Investors, including existing shareholders and potential investors;
- Media such as securities analysts, financial media and industry media; and
- Securities regulatory authorities and other relevant government agencies.

### Communication mode

- The Company discloses information to Shareholders and investors through announcements, Shareholders' meetings, company websites, mailing materials, telephone consultation, media interviews and reports, analyst meetings and performance briefings, one-to-one communication, on-site visits, roadshows and questionnaires and other channels;
- The Company attaches great importance to the construction of the network communication platform, opens a column on investor relations on the Company's website, and sets up an e-mail address to accept inquiries and suggestions from investors and responds in a timely manner;
- The Company timely enriched and updated the content of the Company's website, and can place information that investors care about on the Company's website, such as news release, company profile, expressway operation and related supporting services, legal information disclosure materials, contact methods of investor relations, special articles and executive speeches; and
- The Company allows the public to participate in the Company's investor relations exchange activities online and offline through modern communication tools such as the network, in combination with on-site visits and other models. During the implementation of the financing plan, the roadshow shall be held in accordance with the relevant regulations, and the time and place of the annual general meeting and the extraordinary general meeting shall be fully considered to facilitate the participation of Shareholders, allowing the Company to receive the opinions of Shareholders and other stakeholders in a timely manner.

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

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

## Corporate Governance Report

The Company regularly receives inquiries from relevant investment organisations and industry stakeholders, in relation to the Group's business development, industry prospects and financing proposals. On the premise of complying with applicable laws and regulations, the Company will strengthen its contact with all parties in accordance with the above Investor Relation Management Policy. In order to enhance the transparency of the Company's information disclosure, the Company will, as always, continue to provide relevant information on a regular basis and as necessary under the premise of compliance. In view of the above, having considered the various existing communication channels and feedback from Shareholders and investors, the Company believes that its communication policy with investors has been effectively implemented during the Reporting Period.

The Board is grateful to Shareholders and other stakeholders for their continued support to the Group and welcomes their views as well as any questions they may have about the management and governance of the Company.

# Profiles of Directors, Supervisors and Senior Management

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

## DIRECTORS

### (1) Executive Directors

**Mr. Wang Zhenjiang (王振江)**, aged 47, is currently the chairman of the Board, an executive Director, legal representative and the secretary of the party committee of the Company.

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

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

**Mr. Peng Hui (彭暉)**, aged 59, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company.

Mr. Peng has nearly 40 years of experience in the transportation industry. He acted as the head of paratransit of Tianjin Ocean Shipping Company (天津遠洋運輸公司) from September 1984 to September 1998, manager of COSCO Bulk International Ocean Manning Company (中遠散運國際海員外派公司) from October 1998 to July 2008, assistant to general manager of COSCO SHIPPING (Hong Kong) Industry & Trade from July 2008 to June 2011, and the deputy general manager of COSCO SHIPPING Industry & Trade from July 2011 to May 2014. Mr. Peng joined the Company as a Director in October 2011. He has served as an executive Director, the general manager and deputy secretary of the party committee of the Company since May 2014.

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



## Profiles of Directors, Supervisors and Senior Management

Mr. Liu Qiang (劉強), aged 55, is currently an executive Director, deputy secretary of the party committee and the chairman of labour union of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of the Company.

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

Mr. Liu joined the Company in September 2007 and worked as the head of Pingyin Management Centre of the Company until February 2008. He was a member of the party committee of the Company from February 2008 to March 2008, the chief economist and a member of the party committee of the Company from March 2008 to May 2008, the chief economist, a member of the party committee and the chairman of labour union of the Company from May 2008 to December 2014. He was the chief economist, a member of the party committee, the chairman of labour union and secretary of disciplinary committee of the Company from December 2014 to June 2019. Mr. Liu also served as a director of Shandong Jihe Expressway Petroleum Management Company Limited (山東濟菏高速石化油氣管理有限公司) from December 2011 to August 2017. He has been the deputy general manager and a member of the party committee of the Company since June 2019. Mr. Liu has served as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, since August 2019. He has served as an executive Director, the deputy general manager and a member of the party committee of the Company since November 2019, and resigned as the deputy general manager of the Company in July 2022 due to work adjustment. Since June 2022, Mr. Liu has served as an executive Director, deputy secretary of the party committee and the chairman of labour union of the Company. He has served as the chairman of the board of directors of Shandong Gangtong Construction Co., Ltd., a wholly-owned subsidiary of the Company, from 19 March 2020 to December 2021, and concurrently served as the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of the Company Limited from August 2021 to December 2023.

In February 2006, Mr. Liu was named as an Advanced Production Worker of Jinan Highway System for 2005 (濟南公路系統2005年度先進生產(工作)者) by Jinan Highway Administration Bureau and the party committee. In June 2011, he was named as an Advanced Individual for Shandong Transportation Energy Saving and Emission Reduction Work under the Eleventh Five-Year Plan (“十一五”全省交通運輸節能減排工作先進個人) by the Shandong Transport Department. In April 2015, he was named as the Outstanding Organisation Individual of Shandong Health Cup Campaign (“安康盃”競賽優秀組織個人) by the Shandong Workers’ General Union (山東省總工會) and Shandong Safety Production Supervision and Administration Bureau (山東省安全生產監督管理局). In 2023, he won the title of “2023 Top 10 Trusted Employees” of Shandong Province (山東省十佳職工信賴的娘家人).

## Profiles of Directors, Supervisors and Senior Management

In July 1988, Mr. Liu graduated from Shandong Jinan Urban Construction School (山東省濟南城市建設學校) (currently known as the Shandong Urban Construction Vocational College), with technical school academic qualification majoring in surveying and mapping. In June 1993, he graduated from the Correspondence Institute of the Party School of the China Communist Party (中央黨校函授學院), with a diploma majoring in economic management. In December 2002, he graduated from The Shandong Province Party Committee School of Shandong Committee of the Communist Party of China (中國共產黨山東省委員會黨校), with part-time undergraduate degree (transferred from an associate program) in Construction and Operation. In May 2004, he completed a postgraduate course in administrative management in Beijing Normal University. In September 2007, Mr. Liu was qualified as a senior political analyst by the Corporate Ideological and Political Work Qualification Assessment Office of Shandong (山東省企業思想政治工作人員專業職務評定工作辦公室).

### (2) Non-Executive Directors

**Mr. Ma Xianghui (馬向輝)**, aged 49, is currently a non-executive Director of the Company. He concurrently serves as the vice president of COSCO SHIPPING (Hong Kong) and the deputy general manager of COSCO SHIPPING International.

Mr. Ma worked in the finance department of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)) from August 1996 to July 2005; he served as the treasury manager of the finance department of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) (currently known as COSCO SHIPPING Holdings (中遠海控)) from July 2005 to June 2009; the general manager of finance department of COSCO International Holdings Limited (中遠國際控股有限公司) (currently known as COSCO SHIPPING International) from June 2009 to September 2014; from September 2014 to March 2023, he worked at China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) as a staff of the finance department, a business manager of the strategic implementation management office, a manager of the listing management office of the capital operation division and a deputy general manager of the capital operation division; and he has been serving as the vice president of COSCO SHIPPING (Hong Kong) and the deputy general manager of COSCO SHIPPING International since March 2023. He has been served as a non-executive director of the Company since June 2023.

Mr. Ma graduated from China Institute of Finance (中國金融學院) in August 1996, with a bachelor's degree majoring in investment economics, and obtained a master of economics with a major in international trade from the University of International Business and Economics (對外經濟貿易大學) in July 1998.

**Ms. Kong Xia (孔霞)**, aged 53, is currently a non-executive Director of the Company. She concurrently serves as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group.

## Profiles of Directors, Supervisors and Senior Management

Ms. Kong served as a cadre of Shandong Provincial Transport Projects Supervision and Consultation Ltd. from July 1993 to June 1997. From June 1997 to November 2000, she served successively as a civil servant and the deputy section chief of the planning and infrastructure department of Shandong Transport Department. She served successively as the deputy section chief, section chief and deputy director of the planning and infrastructure department of Shandong Transport Department from November 2000 to July 2010. She served successively as the deputy director and a researcher of the integrated planning department of Shandong Provincial Traffic Transport Department from July 2010 to October 2015. She served as the temporary person-in-charge of the maintenance technology department of Qilu Transportation from October 2015 to December 2015. She served successively as the presiding expert and department head of the corporate management department of Qilu Transportation from December 2015 to April 2018. She served as the department head of the human resources department of Qilu Transportation and a member of the party committee of the headquarters of Qilu Transportation from April 2018 to August 2020. From August 2020 to June 2021, she has served as the secretary of the party committee of the head office of Shandong Hi-Speed Group. She has served as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group since June 2021. Ms. Kong has served as a non-executive Director of the Company since November 2019.

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

Mr. Su Xiaodong (蘇曉東), aged 59, is currently a non-executive Director of the Company. He concurrently serves as the investment director and the general manager of the capital and investment department of COSCO SHIPPING (Hong Kong).

Mr. Su worked for the planning department of China Ocean Shipping Company Limited (中國遠洋運輸有限公司) from August 1988 to March 1993. He served as a manager of the consulting department of COSCO Investment Company (中遠投資公司) from March 1993 to September 1997. From September 1997 to March 2012, he worked for China Ocean Shipping Company Limited (中國遠洋運輸有限公司) and held various positions including deputy manager of the asset management centre, officer of the development department and vice head and deputy manager of the administrative office of the planning department. He also served as the deputy general manager of the strategic development department of China COSCO Holdings Company Limited from August 2005 to February 2009, and a manager of the asset operation office of the strategic development department of China Ocean Shipping Company Limited from February 2009 to March 2012. He served as the general manager of the planning department of COSCO SHIPPING (Hong Kong) Co., Limited (香港中遠海運有限公司) from March 2012 to January 2019 and has been the investment director and the general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) since January 2019. Mr. Su has served as a non-executive Director of the Company since September 2012. He has served as the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司) since December 2022. He has been the vice-chairman of Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000096.SZ) since May 2023.

## Profiles of Directors, Supervisors and Senior Management

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

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

**Mr. Kang Jian (康健)**, aged 54, is currently a non-executive Director of the Company. He concurrently serves as a member of the party committee and deputy general manager of Shandong Hi-Speed and a director of Shandong Hi-Speed Rail Transit Group.

Mr. Kang worked in the personnel, investment, asset preservation and credit departments of China Construction Bank Corporation, Shandong Branch (中國建設銀行股份有限公司山東省分行) from August 1992 to June 2001. He worked in Industrial Bank Co., Ltd. Jinan Branch (興業銀行股份有限公司濟南分行) from June 2001 to June 2013, and successively served as a section chief of business department, an assistant general manager of risk management department, a deputy general manager of business development department III (person in charge), a general manager of personal business, a deputy director of retail business. He served as the secretary of the party committee, president and leader of the preparation team of Industrial Bank Co., Ltd. Tai'an Branch (興業銀行股份有限公司泰安分行) from March 2010 to October 2012 and the vice president (person in charge) of Jinan management department of Industrial Bank Co., Ltd. Jinan Branch from October 2012 to June 2013. He served as a member of the party committee and vice president of Ping An Bank Co., Ltd. Jinan Branch (平安銀行股份有限公司濟南分行) from June 2013 to April 2019. He has worked for a member of the party committee and deputy general manager of Shandong Hi-Speed since April 2019. He has also served as a director of Shandong Hi-Speed Rail Transit Group since September 2021. He has been served as a non-executive director of the Company since June 2023.

Mr. Kang graduated from Shandong University of Finance and Economics (formerly known as the Shandong University of Finance) in July 1992, majoring in investment economic management, and received his bachelor's degree in economics in finance from Shandong University of Finance and Economics (formerly known as the Shandong University of Finance) in July 2003.

## Profiles of Directors, Supervisors and Senior Management

Mr. Wang Gang (王剛), aged 53, is currently a non-executive Director of the Company. He concurrently serves as a deputy general manager of Guoneng Power Technology & Engineering Co., Ltd. (國能電力技術工程有限公司).

Mr. Wang worked in SEPCOII Electric Power Construction Co., Ltd. (山東電力建設第二工程公司) (currently known as POWERCHINA Nuclear Engineering Co., Ltd. (中國電建集團核電工程有限公司) from August 1991 to November 2002, and successively served as a technician of highvoltage experimental class of the electric engineering department, leader of operation group of the electric engineering department and installation budget supervisor of the accounting department; he worked in Shenzhen Shandong Hedian Engineering Co., Ltd. (深圳山東核電工程有限責任公司) from November 2002 to October 2007, and successively served as a director of the accounting department of Huizhou Project and a budget estimate director of the accounting department; from October 2007 to May 2011, he worked in Guowang Resources Shandong Construction Group Limited (國網能源山東建設集團有限公司) (formerly known as Shandong Luneng Construction Group Company Limited (山東魯能建設集團有限公司)) and served as a deputy manager (person in charge) of the accounting department of Shenzhen Shandong Hedian Engineering Co., Ltd. (深圳山東核電工程有限責任公司); he also served as a general manager of the operation department of Shenhua National Power Shandong Construction Group Limited (神華國能山東建設集團有限公司) from May 2011 to May 2022. Mr. Wang has served as a deputy general manager of Guoneng Power Technology & Engineering Co., Ltd. (國能電力技術工程有限公司) since May 2022. He has been a non-executive Director of the Company since June 2023.

Mr. Wang graduated from Shanghai University of Electric Power (上海電力學院) in June 1991 with a college degree majoring in power system and generation, and graduated from Shandong Academy of Governance (山東行政學院) with a bachelor's degree in economic management in July 2004.

Mr. Shi Jinglei (施驚雷), aged 57, is currently a non-executive Director of the Company. He concurrently serves as a deputy manager of the board of directors' office of China Merchants Expressway Network & Technology Holdings Co., Ltd..

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

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

## Profiles of Directors, Supervisors and Senior Management

Mr. Du Zhongming (杜中明), aged 41, is currently a non-executive Director of the Company. He is also a departmental general manager of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司).

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

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

### (3) Independent Non-Executive Directors

Mr. Liu Hongwei (劉洪渭), aged 61, is currently a non-executive Director of the Company. He concurrently is currently an independent director of Shandong Weigao Orthopaedic Device Company Limited (山東威高骨科材料股份有限公司) and Yintai Gold Co., Ltd. (銀泰黃金股份有限公司).

Mr. Liu served as an associate professor and the deputy director of the department of economics at Shandong University of Science and Technology (formerly known as Shandong Institute of Mining and Technology) from July 1983 to September 1998; he worked at Shandong University from September 1998 to November 2019, and served as a professor, deputy dean and department head of the department of accounting at the school of management from 1998 to May 2012; as a minister and professor of the department of finance from June 2012 to June 2015; as a minister and professor of the department of discipline construction and development planning from June 2015 to November 2019; as a secretary (書記) and professor of Cheeloo College of Medicine of Shandong University (山東大學齊魯醫學院) from November 2019 to March 2023. He served as an independent director of Shandong Weigao Orthopaedic Device Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 688161) since December 2022 and an independent director of Yintai Gold Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000975.SZ) since November 2023. He has served as an independent non-executive Director of the Company since June 2023.

Mr. Liu graduated from the mining department of Shandong University of Science and Technology (formerly known as Shandong Institute of Mining and Technology) in July 1983, majoring in coal mining and obtaining a bachelor's degree in engineering. He graduated from Jinan Graduate School (濟南研究生部) of Shandong Institute of Mining and Technology in July 1985, majoring in management engineering and obtaining a bachelor's degree in economics. He graduated from the School of Economics of Xiamen University in February 1990, majoring in international accounting and taxation. He graduated from the international business school of China University of Mining and Technology in July 1997 and obtaining a master's degree in accounting. He graduated from the School of Economics and Management of Southeast University in September 2010 and obtaining a doctor's degree in management science and engineering.

## Profiles of Directors, Supervisors and Senior Management

Mr. He Jiale (何家樂), aged 69, is currently an independent non-executive Director of the Company.

Mr. He served as the director of the finance department and the deputy general manager of COSCO (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司)) from October 1994 to December 1997; and the chief accountant of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司) (currently known as COSCO Shipping Lines Co. Ltd. (中遠海運集裝箱運輸有限公司)) from January 1998 to September 2003. He also served as the chief financial officer of COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司) (currently known as COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運(香港)有限公司)) from October 2003 to November 2005, and served as its director and chief financial officer from February 2012 to November 2015. He served as an executive director of COSCO International Holdings Limited (中遠國際控股有限公司) (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司)), a company listed on the Stock Exchange, stock code: 00517) from November 2003 to January 2006 and from April 2012 to December 2015. He was the chief financial officer of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) (currently known as COSCO SHIPPING Holdings Co., Ltd. (中遠海運控股股份有限公司)), a company listed on the Stock Exchange, stock code: 01919, and a company listed on the Shanghai Stock Exchange, stock code: 601919) from November 2005 to January 2012. In addition, he served as a non-executive director of Chong Hing Bank Limited (創興銀行有限公司) (a company then listed on the Hong Kong Stock Exchange, stock code: 01111), which was delisted from the Stock Exchange after privatization on 30 September 2021 from May 2012 to February 2014 and an executive director of COSCO Pacific Limited (中遠太平洋有限公司) (currently known as COSCO SHIPPING Ports Limited (中遠海運港口有限公司)), a company listed on the Stock Exchange, stock code: 01199) from November 2003 to June 2005 and from January 2009 to March 2013. He served as a supervisor of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (a company then listed on the Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039.SZ) from September 2013 to May 2016, and was an independent non-executive director of the company from June 2019 to June 2022. From December 2017 to December 2023, he has served as an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (上海中谷物流股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603565). Mr. He has served as an independent non-executive Director of the Company since December 2018.

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

## Profiles of Directors, Supervisors and Senior Management

Mr. Wang Lingfang (王令方), aged 67, is currently an independent non-executive Director of the Company.

Mr. Wang served successively as a supervisor and specialised engineer of the boiler team, and deputy head, officer of the quality inspection department, deputy manager, deputy manager and chief engineer, acting manager and chief engineer, party committee member and manager in SEPCOII Electric Power Construction Co., Ltd. (山東電力建設第二工程公司) from September 1987 to July 2005. He served as the chairman of the board of director in Guoneng Power Technology & Engineering Co., Ltd. from July 2005 to June 2009. Mr. Wang acted as the chairman of the Board of the Company from October 2005 to March 2008, and served as the general manager and a member of the party committee in SEPCO Nuclear Power Construction Group Corp. (山東電力核電建設集團公司) from June 2009 to April 2014. Mr. Wang served as the deputy general manager in the electrical engineering business unit of Powerchina Limited (中國電力建設股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601669) from April 2014 to August 2015, and served as a consultant of SEPCO Electric Power Construction Corporation (山東電力基本建設總公司)/SEPCO Nuclear Power Construction Group Corporation from August 2015 to March 2017. Mr. Wang has served as an independent non-executive Director of the Company since July 2018.

Mr. Wang was recognised as an Outstanding Entrepreneur in Shandong jointly by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Management Association (山東省質量管理協會) in April 2011. In May 2013, he was recognised as an Outstanding Entrepreneur of National Power Construction of 2012 (2012 年度全國電力建設優秀施工企業家) by China Electric Power Construction Association. Mr. Wang was also recognised as a National Outstanding Entrepreneur in Construction Industry of 2012 (2012 年度全國優秀施工企業家) by China Association of Construction Enterprise Management in September 2013.

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



## Profiles of Directors, Supervisors and Senior Management

Mr. Leng Ping (冷平), aged 68, is currently an independent non-executive Director of the Company.

Mr. Leng served as the deputy general manager and general manager of COSCO International Trading Company Limited (中遠國際貿易有限公司) from January 1997 to February 2000 and from February 2000 to September 2001, respectively. He served as the general manager of China Marine Bunker Supply Company (中國船舶燃料供應總公司) from September 2001 to January 2004 and worked as the general manager of China Marine Bunker (PetroChina) Co., Ltd. (中國船舶燃料有限責任公司) from January 2004 to August 2007. He served as the secretary of the party committee and the standing deputy general manager of China Marine Bunker (PetroChina) Co., Ltd. August 2007 to June 2009. He served as the general manager of COSCO Africa (Pty) Ltd. (中遠非洲有限公司) from July 2009 to June 2012 and the general manager of COSCO (HK) Industry & Trade Holdings Ltd. (中遠(香港)工貿控股有限公司) (namely known as COSCO SHIPPING Industry & Trade) from July 2012 to June 2016. Meanwhile, Mr. Leng was the vice chairman of the Company from November 2014 to November 2017. Mr. Leng has served as an independent non-executive Director of the Company since June 2023.

Mr. Leng obtained his degree in marine engineering management from Dalian Maritime University in July 1982.

Ms. Shen Chen (沈塵), aged 60, is currently an independent non-executive Director of the Company. She concurrently serves as the president for its Asia Pacific region of China New Economy Fund Limited (a company listed on the Stock Exchange, stock code: 00080).

Ms. Shen served as an associate director and director of Qingdao East Asia Economic Research Office (青島市東亞經濟研究室) from January 1997 to October 2012 and served as an assistant general manager of China Travel Service (Hong Kong) Limited (香港中國旅行社有限公司) from March 2013 to January 2015. She served successively as a researcher in general manager's office and director of China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司) from January 2015 to February 2020. She has served as the president for its Asia Pacific region of China New Economy Fund Limited (a company listed on the Stock Exchange, stock code: 00080) since November 2022. She has served as an independent non-executive Director of the Company since June 2023.

Ms. Shen graduated from the Department of Economics (majoring in politics and economics) of Zhongnan University of Economics and Law (formerly known as Zhongnan University of Economics) with a bachelor's degree in economics in July 1986 and obtained an on-job postgraduate degree from Qingdao University in October 2007, majoring in international relations.

## Profiles of Directors, Supervisors and Senior Management

### SUPERVISORS

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

Mr. Wang Shenan (王慎安), aged 54, is currently the chairman of the Supervisory Committee of the Company. She concurrently serves as a general manager of the audit and supervision department of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International.

Mr. Wang was an employee of the general manager's office of Qingdao Xingyuan Shipping Co., Ltd. (青島興遠船務有限公司) from July 1993 to January 1994 and an employee of the finance department and commercial department of Qingdao Ocean Shipping Co., Ltd. (青島遠洋貨運有限公司) from February 1994 to December 1995. During January 1996 to February 2009, he worked in COSCO Qingdao International Freight Co., Ltd. (青島中遠國際貨運有限公司) and served successively as an employee of the commercial department, the deputy head of the accounting section of the finance department, the head of the freight settlement section, the deputy manager of the finance department and the manager of the supervision department. Mr. Wang has been the general manager of the audit and supervision department of COSCO SHIPPING (Hong Kong) since April 2015; and the general manager of the audit and supervision department of COSCO SHIPPING International since May 2018. She has served as the chairman of the Supervisory Committee of the Company since June 2023.

Mr. Wang graduated from Wuhan Institute of Water Transportation Engineering (武漢水運工程學院) in July 1992 with a college diploma in finance and accounting and obtained a bachelor's degree in English from Ocean University of China in July 2005.

#### (2) Shareholder Representative Supervisors

Mr. Zhang Yin (張引), aged 49, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the director of the project development and capital operation centre of Shandong Hi-Speed Group.

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

## Profiles of Directors, Supervisors and Senior Management

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

Mr. Wu Yongfu (吳永福), aged 54, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the secretary of the party general branch and executive deputy director of the Construction Center of Shandong Construction Engineering (山東建設工程建設中心).

Mr. Wu has over 20 years of experience in finance. He served as a cashier trainee of Shandong Luneng Group Electricity Development Co., Ltd. (山東魯能電力開發有限公司) from July 1992 to February 1993, a cashier, accountant, auditor and financial officer of project site of SEPCO1 Electric Power Construction Corporation from March 1993 to November 1998 successively. He served successively as an auditor of the labour and finance department, deputy manager of the human resources and finance department, and manager of the financial department of Shenzhen Shandong Hedian Engineering Co., Ltd. (深圳山東核電工程有限責任公司) from November 1998 to January 2010. Mr. Wu has served as a director of Finance and Property Right Management Department of Guoneng Power Technology & Engineering Co., Ltd. from February 2010 to August 2022, and an executive deputy director of the Construction Center of Shandong Construction Engineering (山東建設工程建設中心) since August 2022. Mr. Wu has served as a Supervisor of the Company since April 2011.

Mr. Wu graduated from the Finance School of Shandong Province (山東省財政學校) (currently known as Shandong University of Science and Technology) in July 1992, with a technical school academic qualification majoring in industrial finance and accounting. He graduated from Shandong Economics University (山東經濟學院) (currently known as Shandong University of Finance and Economics) in December 1995, with a tertiary school academic qualification majoring in accounting by self-studied examination. Mr. Wu was awarded a certificate of accounting professional (會計師資格證書) by the MOF in May 1997. Mr. Wu obtained a certificate of postgraduate degree of business administration (工商管理專業研究生課程證書) from Tianjin University in March 2005 and obtained a certificate of correspondence undergraduate degree upgrading from higher education for adults (成人高等教育函授專科起點升本科畢業證書) in engineering management from Harbin Institute of Technology (哈爾濱工業大學), from a distance learning programme, in July 2013.

## Profiles of Directors, Supervisors and Senior Management

### (3) Employee Supervisors

Mr. Dong Junjie (董俊杰), aged 49, is currently an employee supervisor and the principal of the general office of the Company.

Mr. Dong served successively as a technician, engineer and project technical leader of the Fifth branch of Shandong Luqiao Group Co., Ltd. (山東省路橋集團第五分公司) from July 1998 to April 2002. He served as the technical leader of Shandong Luqiao Group Luqiao Building Materials Co., Ltd. (山東省路橋集團魯橋建材有限公司) during the period from April 2002 to April 2004. He served successively as a manager of the engineering technology department, a monitoring assistant of the operation dispatch centre, an assistant director and head of the maintenance section of Changqing management centre, and a deputy director of Jiexiang management centre of Shandong Jihe Expressway Company Limited. (the predecessor of the Company) during the period from April 2004 to December 2016. He also served successively as the deputy director of Jiexiang management centre, the deputy director of Xiaoli management centre and the deputy principal of the general office of the Company from December 2016 to September 2021. Mr. Dong has been the principal of the general office of the Company since September 2021. He has served as an employee supervisor since May 2023.

Mr. Dong graduated from the Department of Resources and Environmental Engineering in Wuhan Industrial University (currently known as Wuhan University of Technology) in July 1998 with a bachelor's degree of engineering, majoring in transportation and civil engineering.

Ms. Hou Qinghong (侯清紅), aged 52, is currently an employee Supervisor and the head of the Party Operation Department of the Company.

Ms. Hou worked at Liaocheng Daily (聊城日報社) from July 1992 to November 2007. She joined the Company in November 2007. She is responsible for political and human resources affairs and has held various positions including officer of women employees' committee of the labour union, head and deputy manager of the human resources department and member of the disciplinary committee. She has served as a member of the disciplinary committee, officer of women employees' committee of the labour union, vice chairman of labor union and the head of the Party Operation Department from July 2017 to July 2022. Since July 2022, she has served as the vice chairman of labor union and the head of the Party Operation Department. She has become an employee Supervisor since March 2011.

Ms. Hou was named as an Outstanding Youth Civilisation Worker in the Traffic and Transportation Industry of Shandong Province for the year 2011 (交通運輸行業2011年度山東省優秀青年文明工作者榮譽) from Shandong Provincial Committee (山東省委員會) and Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) under the Communist Youth League of China (中國共產主義青年團) in September 2012. Besides, she was accredited as a provincial "Female Advanced Worker" (巾幗建功先進工作者) by Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) and Women's League of Shandong Province (山東省婦女聯合會) in March 2014.

## Profiles of Directors, Supervisors and Senior Management

Ms. Hou graduated from Liaocheng Institute of Education (聊城師範學院) (currently known as the Liaocheng University) in July 1992, with a bachelor's degree of arts majoring in Chinese language and literature education. She received a Certificate of Advanced Studies Course for Postgraduate in Literary Aesthetics (文藝學專業研究生課程進修班結業證書) from Shandong University (山東大學) in September 2002. She was qualified as a chief editor by the Human Resource Bureau of Shandong Province (山東省人事廳) in November 2003. She obtained a Qualification Certificate of First Level Corporate Human Resources Professional (一級企業人力資源管理師資格證書) from the Ministry of Human Resources and Social Security of the PRC and a Vocational Training Certificate of Senior Human Resources Management Professional (高級人力資源法務(規劃)師資格證書) from China Employment Training Technical Instruction Center (中國就業培訓技術指導中心) in October 2013.

Mr. Hao Dehong (郝德紅), aged 53, is currently an employee representative Supervisor and the department head of the corporate management department.

Mr. Hao served as an accountant and the deputy head of the finance division of the first branch of Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司) from August 1989 to February 1998, the manager of the financial department of project department of the Second Nanjing Bridge of Shandong Luqiao Group Co., Ltd. from March 1998 to July 2000 and the head of finance department of the ninth branch of Shandong Luqiao Group Co., Ltd. from August 2000 to May 2004. Mr. Hao joined the Company in May 2004. He is responsible for financial affairs and has held various positions including chief accountant and vice head of Pingyin South management centre. He acted as the head of Xiaoli management centre from September 2013 to June 2017. Mr. Hao has served as the head of corporate management department since June 2017 and has served as an employee Supervisor of the Company since March 2011.

Mr. Hao graduated from Shandong Economics University (山東經濟學院) (currently known as Shandong University of Finance and Economics) in July 1992, with a diploma qualification majoring in accounting by self-studied examination from a distance learning programme. He received an intermediate accountant qualification in May 1999 from the Ministry of Personnel and MOF. Mr. Hao graduated from Beijing Jiaotong University (北京交通大學) in July 2006, with a bachelor's degree majoring in accounting by correspondence education.

## Profiles of Directors, Supervisors and Senior Management

### (4) Independent Supervisors

Mr. Meng Qinghui (孟慶惠), aged 68, is currently an independent Supervisor of the Company.

Mr. Meng served as an accountant of Qingdao Ocean Shipping Co., Ltd. from September 1978 to March 1982. He served as the deputy manager of the finance department of Hong Kong Ocean Shipping Company (香港遠洋輪船公司) from March 1982 to August 1989. He served as the manager of the finance department of Tianlong Shipping Co., Ltd. (天龍船務有限公司) from August 1989 to December 1995. He served as the manager of the finance department of COSCO HIT Terminal (Hong Kong) Ltd. from January 1996 to August 1997. He served as the general manager of the finance department of COSCO (Hong Kong) Group Limited (currently known as COSCO SHIPPING (Hong Kong)) from September 1997 to July 2016. He served as an executive director of COSCO SHIPPING International from March 2002 to July 2008 and a non-executive director of the company from July 2008 to April 2012. Mr. Meng served as a non-executive director of Soundwill Holdings Limited (a company listed on the Stock Exchange, stock code: 00878) from April 2003 to April 2011. He served as a non-executive director of Chong Hing Bank Limited (a company then listed on the Stock Exchange, stock code: 01111, which was delisted from the Stock Exchange after privatization on 30 September 2021) from March 2008 to February 2014. Mr. Meng was the chairman of the Supervisory Committee of the Company from February 2011 to December 2017 and has served as an independent Supervisor of the Company since November 2019.

Mr. Meng graduated from Central South University in September 1978, majoring in foreign languages and accounting.

Mr. Dong Ensheng (董恩升), aged 53, is currently an independent Supervisor of the Company. He concurrently serves as the principal lawyer and legal representative of Shandong Pengfei Law Firm (山東鵬飛律師事務所).

Mr. Dong worked as a staff and sales manager of Shandong Sanlian Group Co., Ltd. (山東三聯集團有限責任公司), from July 1995 to August 1998 and worked as the business manager and legal representative of China Life Insurance Company Limited Jinan Branch (中國人壽股份有限公司濟南分公司) (whereby China Life Insurance Company Limited is a company listed on the Stock Exchange (stock code: 2628) and the Shanghai Stock Exchange (stock code: 601628)) from September 1998 to July 2006. Since August 2006, he has been the principal lawyer and legal representative of Shandong Pengfei Law Firm (山東鵬飛律師事務所). He has been an independent Supervisor of the Company since June 2023.

Mr. Dong obtained his bachelor's degree in industrial management engineering from Hohai University in July 1995.

## Profiles of Directors, Supervisors and Senior Management

### SENIOR MANAGEMENT

Mr. Peng Hui (彭暉), aged 59, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company. For further details of the profile of Mr. Peng, please refer to the subsection headed “Directors” in this section.

Mr. Liu Qiang (劉強), aged 54, is currently an executive Director, the deputy secretary of the party committee and the chairman of labour union of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company. For further details of the profile of Mr. Liu, please refer to the subsection headed “Directors” in this section.

Mr. Chen Xiulin (陳修林), aged 51, currently serves as the deputy general manager, a member of the party committee and the secretary to the Board of the Company.

Mr. Chen was a member of the political affairs department of Shandong Dezhou Machine Tool Factory (山東德州機床廠) from July 1994 to January 1999, a member and vice head of political affairs division of Jining Highway Management Bureau (濟寧市公路管理局) from January 1999 to October 2004. He was an officer of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2004 to March 2005. He served as the deputy manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from March 2005 to October 2006. He worked as the manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2006 to June 2014 and concurrently served as the head of the general department of Shandong Binde Expressway Projects Office (山東省濱德高速公路項目辦). Mr. Chen joined the Company in November 2014 and served as the deputy general manager of the Company. He has served as the deputy general manager and a member of the party committee of the Company since November 2014 and also as the secretary to the Board of the Company since April 2016.

Mr. Chen concurrently served as the standing deputy general manager of Shandong Malong Expressway Company Limited (山東馬龍高速公路有限公司) from June 2014 to April 2016, a director of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from March 2015 to July 2016, and a supervisor of Shandong Jizou Highway Company Limited (山東省濟鄒公路有限公司) from September 2015 to July 2016.

Mr. Chen graduated from Northeast Forestry University (東北林業大學) in Harbin, the PRC in June 1994 with a bachelor’s degree of engineering majoring in forestry engineering. In September 2004, Mr. Chen was qualified as a senior political analyst by the Senior Assessment Committee for Ideological and Political Staff at Enterprises in Shandong (山東省企業思想政治工作人員專業職務高級評審委員會).

## Profiles of Directors, Supervisors and Senior Management

**Mr. Liu Liangrong (劉亮榮)**, aged 57, currently serves as the deputy general manager and a member of the party committee of the Company.

Mr. Liu served as a turbine technician of SEPCOIII Electric Power Construction Co., Ltd. (山東電力建設第三工程有限公司) from July 1988 to March 1990, a tunnel engineer of Shenzhen Shandong Nuclear Power Construction Company Limited (深圳山東核電工程有限公司) from March 1990 to September 1992, a professional engineer at the technical department of SEPCOIII Electric Power Construction Co., Ltd. from September 1992 to January 2000, the quality engineer, engineer of the Hong Kong projects, project manager of the Diandong projects and deputy chief engineer and project manager of the Indian projects of Shenzhen Shandong Nuclear Power Construction Company Limited from January 2000 to January 2013, project manager and deputy chief engineer of the Indian projects of Guoneng Power Technology & Engineering Co., Ltd. from January 2013 to July 2013 and the deputy chief engineer of Guoneng Power Technology & Engineering Co., Ltd. since July 2013. Mr. Liu joined the Company in April 2015 and has served as the deputy general manager since then. Mr. Liu has been the deputy general manager and a member of the party committee since December 2016. Mr. Liu also served as a director of Shandong Jihe Expressway Service Company Limited (山東濟菏高速服務有限公司) (currently known as Shandong Luchang Expressway Service Area Management Company Limited (山東魯暢高速公路服務區管理有限公司)) from May 2015 to August 2017.

Mr. Liu graduated from Shandong Industrial University (presently known as Shandong University) in July 1988 with a bachelor's degree of engineering majoring in power thermal dynamics. In December 2001, Mr. Liu was qualified as a senior engineer by the Senior Technical Expert Qualifications Board of State Electric Power Corporation (國家電力公司高級專業技術資格評審委員會). In September 2012, he was qualified as a certified supervisory engineer by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "PRC"). In November 2015, he was qualified as a certified first-class architect by the Ministry of Housing and Urban-Rural Development of the PRC.

**Mr. Zhang Junfeng (張俊鋒)**, aged 46, currently serves as the secretary to the disciplinary committee and a member of the party committee of the Company.

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

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



## Profiles of Directors, Supervisors and Senior Management

Mr. Lian Shengguo (連勝國), aged 46, currently serves as the deputy general manager and a member of the party committee.

Mr. Lian worked at Jining Highway Management Bureau (濟寧市公路管理局) from February 1999 to January 2008, served as the deputy officer of the management office of Jiayang branch, deputy manager of the infrastructure office, manager of the human resources department, deputy secretary of branch of the party committee of general affairs office, vice chairman of the labour union, manager of the administration department and secretary of branch of the party committee of general affairs office from January 2008 to October 2016. He served as a member of the disciplinary committee of the Company from December 2014 to July 2022 and served as an employee Supervisor from October 2016 to October 2019. Mr. Lian acted as the officer of the office of the Board from June 2017 to August 2020. He served as a joint company secretary of the Company from June 2018 to May 2023. He served as the chairman of the labor union from June 2019 to June 2022. He has served as a member of the party committee of the Company since June 2019 and as the deputy general manager of the Company since July 2022.

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

## Profiles of Directors, Supervisors and Senior Management

Mr. Gao Pu (高璞先生), aged 52, is currently the chief financial officer of the Company and a member of the party committee.

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

Mr. Gao holds a bachelor's degree in finance management from Changsha University of Science and Technology, and he is a senior accountant and a senior economist in the PRC.

Mr. Zhao Guangmin (趙廣民先生), aged 54, is the safety director of the Company.

Mr. Zhao served as the director of Dongping management centre of the Company from November 2007 to June 2017, the director of Changqing management centre of the Company from June 2017 to March 2020, and a director and general manager of Shandong Gangtong Construction Co., Ltd. (山東港通建設有限公司), a wholly-owned subsidiary of the Company, from March 2020 to December 2021. Mr. Zhao has served as the safety director of the Company since January 2022.

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

## Profiles of Directors, Supervisors and Senior Management

### JOINT COMPANY SECRETARIES

Mr. Shi Wenjiang (時文江先生), currently serves as the joint company secretary of the Company, the head of the securities investment department of the Company and an executive director and general manager of Qilu Expressway Investment.

Mr. Shi joined the Company in July 2005 and served successively as a clerk of the operation department, a technician of the operation dispatch centre, a clerk and business assistant of operation management department, and a business assistant, business supervisor, deputy principal and principal of the office of the Board. Mr. Shi has served as a director of Shandong Gangtong Construction since May 2022, and has been the head of the securities investment department of the Company and an executive director and general manager of Qilu Expressway Investment since June 2022. He served as a joint company secretary of the Company since May 2023.

Mr. Shi obtained a bachelor of engineering degree in computer science and technology from Wuhan University of Technology in July 2005 and a master of engineering degree in computer technology from Shandong University in June 2012. In addition, Mr. Shi obtained the qualification as a senior engineer in March 2017.

Ms. Zhang Xiao (張瀟女士) is currently the joint company secretary of the Company and an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional service provider specializing in corporate services. She served as the joint company secretary of the Company since May 2023.

Ms. Zhang has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019.

Ms. Zhang obtained a bachelor's degree in computer science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from Hong Kong Metropolitan University in 2018.

# Report of the Board of Directors

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

## PRINCIPAL BUSINESSES

The Company is principally engaged in Shandong Province, the PRC in (i) the construction, maintenance, operation and management of the Jihe Expressway, and is entitled to toll collection from vehicles passing through the Jihe Expressway for the period from 26 September 2004 to 25 September 2034. Subsidiaries of the Company is engaged in the business of outdoor advertising production and distribution along the Jihe Expressway in Shandong Province; and (ii) the maintenance, operation and management of the Deshang and Shennan Expressways, and is entitled to toll collection from vehicles passing through the expressways, for the period, in respect of the Deshang Expressway (Liaocheng-Fan County section), from 24:00 on 31 December 2019 to 15 November 2040, and in respect of the Shennan Expressway, from 24:00 on 31 December 2019 to 27 September 2043.

In addition, the Company's principal activities include construction engineering such as highway engineering construction, expressway maintenance and municipal greening; and sales of industrial products. The Group principally carried out business in Shandong Province, the PRC.

## FINANCIAL POSITION AND RESULTS

During the Year, the revenue from our operation was approximately RMB5,608,829,000, representing an increase of approximately 91.34% as compared to approximately RMB2,931,294,000 for the previous year. The cost and gross profit from our operations were approximately RMB4,796,845,000 and RMB811,984,000, as compared to those of approximately RMB1,771,907,000 and RMB1,159,387,000, respectively, representing an increase of approximately 170.72% and a decrease of approximately 29.96%, respectively. Net profit from operation amounted to RMB533,903,000, representing a decrease of approximately RMB246,153,000 or 31.56% as compared to that of 2022 (approximately RMB780,056,000).

The Group's earnings per Share from operation for the Year was RMB0.25, representing a decrease of 35.90% as compared to that of 2022 (RMB0.39).

## Report of the Board of Directors

### CLOSURES OF REGISTER OF MEMBERS

#### 2023 AGM

The 2023 AGM is scheduled to be held on Wednesday, 26 June 2024. For the purpose of determining the Shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Wednesday, 26 June 2024 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2023 AGM, unregistered Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan city, Shandong Province, the PRC (for Domestic Unlisted Shareholders), not later than 4:30 p.m. on Friday, 24 May 2024.

#### Proposed Distribution of 2023 Final Dividend

The Board proposes a payment of a cash dividend of RMB0.15 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB300,000,000 (tax inclusive) as the 2023 Final Dividend for the year ended 31 December 2023. The proposal for such dividend payment is subject to consideration and approval by the Shareholders at the 2023 AGM, and, if approved, such dividend will be payable to the Domestic Unlisted Shareholders and the H Shareholders whose names appeared on the register of members of the Company on Tuesday, 9 July 2024. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Unlisted Shareholders and the H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for the payment of dividend in Hong Kong dollars shall be the average middle rate for the five working days preceding the date of declaration of such dividend at the 2023 AGM (that is, Wednesday, 26 June 2024) as announced by the People's Bank of China. The share register of the Company will be closed from Thursday, 4 July 2024 to Tuesday, 9 July 2024 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2023 Final Dividend distribution, Shareholders who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC (for Domestic Unlisted Shareholders) by no later than 4:30 p.m. on Wednesday, 3 July 2024.

The Board has scheduled to distribute the 2023 Final Dividend on Friday, 30 August 2024. Announcement(s) will be published by the Company as soon as practicable and in accordance with the Listing Rules for any changes to the expected date of dividend payment.

## Report of the Board of Directors

### Tax on Dividends

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

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

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

## Report of the Board of Directors

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Wednesday, 3 July 2024, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People's Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

### DIVIDEND POLICY

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

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

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

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

### FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

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

## Report of the Board of Directors

### UNDISTRIBUTED PROFITS AT THE END OF THE YEAR

Details of the undistributed profits of the Group for the Year are set out in the “Consolidated Statement of Changes in Equity” in this annual report. As at 31 December 2023, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB1,655,775,000.

### MAJOR CUSTOMERS AND SUPPLIERS

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

During the Year, the purchases made by the Group from the five largest suppliers of goods or services (i.e. its suppliers of non-capital goods) accounted for approximately 13.42% of its cost of sales, and the purchases made by the Group from the largest supplier of non-capital goods accounted for approximately 5.44% of its cost of sales. The purchases made by the Group from the five largest suppliers of equipment and construction services (i.e. its suppliers of capital goods) amounted to approximately RMB2,776,960,000, and the purchases made by the Group from the largest supplier of equipment and construction services amounted to approximately RMB659,003,000.

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

During the Year, none of the Directors, Supervisor or their respective associates or any shareholders (who to the knowledge of the Directors, own more than 5% of the Company’s equity interest) had any beneficial interest in the Group’s five largest customers and five largest suppliers of capital or non-capital goods.

### ENVIRONMENTAL POLICY AND PERFORMANCE

For details of the environmental policy and performance of the Group during the Reporting Period, please refer to “Environmental, Social and Governance Report” published by the Company, which forms a part of this Report of the Board of Directors.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Company understands the importance of complying with laws and regulations, and the failure in complying with such requirements may result in the termination of business licence. The Company has deployed systems and human resources to ensure compliance with rules and regulations on ongoing basis, and has maintained good working relationship with regulatory authorities through effective communication. During the year ended 31 December 2023, to the best knowledge of the Directors, the Company has complied with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Highway Law of the People’s Republic of China, the SFO, the Listing Rules, and other relevant laws and regulations.



## Report of the Board of Directors

### RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

### PROMINENT RISK FACTORS

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

#### (1) Policy risk and countermeasures

In terms of toll collection, the Company derived its profit mainly from the operation of toll roads. Expressway companies do not have an independent pricing right of toll rates, and the determination and adjustments of toll rates of expressways under their control shall be reported to the competent transport authority and pricing authorities at the provincial level for review and approval. If there is any significant change in the operating environment, price level and operating costs and other factors, the Company may apply to the above authorities for adjustment to toll rates. However, there is no assurance that the application will be approved in a timely manner.

To counter policy risk, the Company, on the one hand, shall take the initiative to strengthen the communication and reporting with the competent government authorities, and strive to win support and understanding from the government and society; and, on the other hand, with the objective of nurturing and building our Company's core competitiveness, the Company will closely adapt to the market changes. Based on our solid foundation in highway operation, we will establish a strategic approach of "leading by principal business and industry-finance integration and two-wheel drive (主業引領、產融結合、雙輪驅動)". This approach will allow us to explore new way for new opportunities, cultivate innovative models, expand into relevant diversified industries, and drive the Company's transformation and upgrading efforts.

## Report of the Board of Directors

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

The expressway industry is strongly sensitive to macroeconomic changes. After experiencing three years of the pandemic, the Chinese economy has been subject to the impact of diverse internal and external factors. The path to economic recovery is expected to be a journey of undulating progress and unforeseen challenges. Macroeconomic Fluctuations will directly influence the demand for road transportation, subsequently affecting the traffic volume on highways and the overall business performance of the Company.

At present, our Company is positioned at a crucial stage of transforming our development approach, optimizing the industrial structure, and shifting our growth drivers. It is imperative for us to expedite the transformation of our business model, intensify efforts in upgrading and transformation, and accelerate the shift from being a “road company” to a “capital operation company.” We remain steadfast in our commitment to strengthening investments, optimising capital utilization, and expanding our asset base, while upholding the principles of high-quality and sustainable development. By pursuing steady progress and maintaining a long-term perspective, we aim to achieve stability while continuously advancing towards our goals.

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

With the rapid construction of the national railway network and pipeline transportation, the highway passenger transportation services were affected to a certain extent. In addition, the development of pipeline transportation will change the modes of transportation for oil and gas and other resources, which in turn will have an impact on cargo transportation on highways. On the other hand, road network diversions will bring negative impacts on the growth of the Company’s toll income. Meanwhile, the overhaul, modification and extension of the roads surrounding our toll road projects as well as the treatment works on the surrounding road and bridge projects will cause changes in traffic flow of the road network, which will in turn have an impact on the operating performance of the Company’s expressway projects.

The Company will keep abreast of the road network planning and the construction status of projects in a timely manner, conduct specialised analysis on road network in advance, and make reasonable predictions on the impact of relevant projects on the traffic flow of the existing projects of the Company. The Company will make good use of its advantage in informatisation to carry out marketing activities for road sections while maintaining effective publicity and diversion to attract traffic flow. The Company will leverage on the information technology to develop road section marketing, attracting traffic through effective publicity and guidance. By pushing forward Traffic Attraction (引車上路), we focused on the “transportation and tourism integration” and continuously improved its marketing efforts and service level with a view to enhancing the competitiveness of the road sections operated by the Company in the road network.

## Report of the Board of Directors

### (4) Management risk and countermeasures

In the course of operation, the expressway is highly probable to incur serious damage on occurrence of floods, earthquakes and other unforeseeable natural disasters, which may result in the failure of the expressway to maintain normal operation for a period of time. Further, the expressway will be closed for a short period of time due to extreme weather. Major traffic incidents may cause traffic jams, weakened traffic capacity and damages to roads and bridges. These situations will directly lead to decreased toll income and increased maintenance costs, which will affect the operating results of the Company.

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

In addition, Our company is dedicated to implementing a transformative development strategy guided by the principles of strategic approach of “leading by principal business and industry-finance integration and two-wheel drive (主業引領、產融結合、雙輪驅動)”. This strategy includes the following aspects: (i) Consolidating the advantages of our principal business in highway operation by expanding the scale of our main operations through asset injections from group companies and pursuing external market acquisitions; (ii) Maintaining strategic focus and continuously deepening our transformation efforts. We will identify new opportunities and entry points in the industry, fostering new business models and cultivating emerging growth drivers. Our aim is to enhance our secondary core business, creating internal synergies with highway operation; and (iii) Leveraging information technology to drive innovation and progress, we will engage in technological breakthroughs, implementing low-carbon and environmentally friendly solutions. Our focus will be on nurturing and harnessing new productive forces. Additionally, we will prioritise empowering business development, improving management efficiency, reducing operational costs, and enhancing the customer experience across various dimensions. We will strategically target areas such as digital infrastructure and industrial digitalization to accelerate our digital transformation journey; and (iv) establishing an optimised human resources system to attract, motivate and nurture high-quality talents in road operation and management. Please refer to the sub-section headed “Business – Our Competitive Strengths and Strategies – Business Strategies” in the Prospectus for details. As at the date of this report, we are still in the process of identifying suitable acquisition or investment targets of the road-related assets and have not entered into any agreement or memorandum of understanding with any potential target. Further announcements on the latest developments will be made by the Company in accordance with the requirements of relevant laws and regulations (including but not limited to the Listing Rules).

## Report of the Board of Directors

### (5) Environmental, social and governance risks and countermeasures

Climate change is materially affecting societies and economies around the world and therefore it also impacts upon the Group's business. In recent years, China has become increasingly concerned about the issue of climate change. In 2020, China clearly set the targets of "carbon dioxide peaking" by 2030 and "carbon neutralization" by 2060, advocating a green, environmentally friendly and low-carbon lifestyle. In order to achieve the dual carbon strategy, it is the trend of the China's economic development and green transformation to accelerate the pace of carbon emission reduction, guide green technology innovation and continuously promote the adjustment of industrial institutions and energy structure. This trend will inevitably lead to the introduction of relevant measures, which may bring about changes in laws, regulations or policies. As an expressway comprehensive services provider, the actual needs of the customers served by the Company are inextricably linked to the topic of energy. Changes in energy prices, the research and development and promotion of green energy, and the extent of construction of green energy supporting facilities along the expressway will have an impact on traffic travel and goods transportation, which in turn will have certain risks on the traffic flow and road tolls from the Company's expressway. In the long run, the potential impact of extreme events (e.g, floods, storms, pandemics), as well as the physical risks of climate-affected energy and water supplies, may pose a risk to the Company's assets such as infrastructure. At present, we are not aware of any specific current policy requirements related to the dual carbon strategy or trends in climate change that would pose a immediate or material risk to the Company's development.

Meanwhile, the Company has always been committed to providing safe, fast, economical and comfortable transport services to the general public, and effectively promoting regional integration and social and economic development, which is the primary social responsibility of the Company. While paying attention to economic efficiency, we also focus on the environmental and social impacts of our operations and the interests of our internal and external stakeholders, so as to achieve sustainable development by incorporating environmental, social and governance (ESG) concepts into every aspect of our business operations. In the future, the Company will continue to adhere to its goals of ecological priority and pursuing green development, and make continuous contributions to society.

### CAPITAL COMMITMENTS

Details of the capital commitments of the Group during the Year are set out in Note 35 to the financial statements in this report.

### SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Particulars are set out in Notes 1, 17 and 18 to the consolidated financial statements in this annual report.

### DONATIONS

The charitable and other donations of the Group during the Year amounted to approximately RMB20,000.

## Report of the Board of Directors

### CONNECTED TRANSACTIONS

During the Reporting Period, Shandong Hi-Speed Group, through its subsidiary, Shandong Hi-Speed, indirectly holds approximately 38.93% of the issued shares of the Company, and therefore, Shandong Hi-Speed Group and Shandong Hi-Speed are controlling shareholders of the Company as defined in the Listing Rules. As Shandong Hi-Speed Group and Shandong Hi-Speed hold more than 10% issued share capital of the Company, both of them are substantial shareholders of the Company as defined in the Listing Rules and are connected persons of the Company under the requirements of Chapter 14A of the Listing Rules. Therefore, all the Company's transactions with Shandong Hi-Speed Group (and its subsidiaries and associates) are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

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

### Non-Exempt Continuing Connected Transactions

#### (1) *The Jihe Expressway Land Lease Agreement*

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

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

## Report of the Board of Directors

Pricing policies:

The rent payable under the Jihe Expressway Land Lease Agreement was determined by both parties to the agreement through arm's length negotiation with reference to (i) the cost of application for the immovable property right certificates of the lands of the Jihe Expressway by Qilu Transportation; (ii) the area leased, geographic location and condition of surrounding area, and the prevailing market rent in respect of the land parcels of the same or similar nature in the same region; and (iii) the estimated changes in the prevailing market rent in the future.

Annual caps:

According to the above pricing policies and based on the terms of the Jihe Expressway Land Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Jihe Expressway Land Lease Agreement for the year ended 31 December 2022 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	Annual caps for the year ending 31 December <i>RMB million</i>
2022	2.310
2023	2.310
2024	2.310
2025	2.310
2026	2.310
2027	2.310
2028	2.310
2029	2.310
2030	2.310
2031	2.310
2032	2.310
2033	2.310
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	1.686

The amount payable to Shandong Hi-Speed Group in the sum of RMB2.310 million under the Jihe Expressway Land Lease Agreement for the year ended 31 December 2023 has been paid in February 2023.

## Report of the Board of Directors

### (2) *The Jihe Expressway Property Lease Agreement*

The Company and Qilu Transportation entered into the Jihe Expressway Property Lease Agreement on 12 December 2017, pursuant to which Qilu Transportation agreed to lease 45 properties used as 7 management centres and 1 maintenance and emergency response centre (collectively, the “**45 Leased Properties**”) with an aggregate GFA of 26,427.59 sq.m. to the Company. The lease term is approximately 17.4 years commencing from 1 May 2017 to 25 September 2034 (i.e. the expiry date of the Concession Period) to ensure that the Group has the exclusive and unrestricted right to use the 45 Leased Properties as the staff of the management centre as offices and residence and for the storage of maintenance and emergency during the remaining term of the Concession Period and the smooth and stable operation thereof, which is in the interests of our Group and our Shareholders as a whole. In accordance with the Jihe Expressway Property Lease Agreement, the total rent payable during the lease term is RMB65.65 million. The Company shall pay RMB58.00 million to Qilu Transportation within 15 days from the date on which the Jihe Expressway Property Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 equal instalments of RMB0.45 million each by 31 March from 2018 to 2034.

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

Pricing policies:

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

## Report of the Board of Directors

Annual caps:

According to the above pricing policies and based upon the terms of the Jihe Expressway Property Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Jihe Expressway Property Lease Agreement for the year ended 31 December 2022 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	Annual caps for the year ending 31 December <i>RMB</i>
2021	450,000
2022	450,000
2023	450,000
2024	450,000
2025	450,000
2026	450,000
2027	450,000
2028	450,000
2029	450,000
2030	450,000
2031	450,000
2032	450,000
2033	450,000
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	450,000

The amount payable to Shandong Hi-Speed Group in the sum of RMB450,000 under the Jihe Expressway Property Lease Agreement for the year ended 31 December 2023 has been paid in February 2023.



## Report of the Board of Directors

### (3) *The 2023 Deshang and Shennan Expressways Service Agreement*

References are made to (i) the Deshang and Shennan Expressways Service Agreement dated 2 June 2020 entered into among the Company and Qilu Transportation Development Group Company Limited and Qilu Transportation Development Group Company Limited Liaocheng Branch, in relation to (among others) the secondment of the Public-Sector Employees of Qilu Transportation Development Group Company Limited Liaocheng Branch to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways; and (ii) the Tripartite Agreements executed by Shandong Hi-Speed Group, Qilu Transportation and the Company on 26 November 2020, pursuant to which Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Deshang and Shennan Expressways Service Agreement.

In view that the Original Service Agreement has expired on 31 December 2022 and the abovementioned secondment of the Public-Sector Employees of Shandong Hi-Speed Group Liaocheng Branch (formerly known as Qilu Transportation Development Group Company Limited Liaocheng Branch) to the Group is still in progress, in order to facilitate the daily operation of the Deshang and Shennan Expressways during the personnel transfer process, the Company entered into the 2023 Deshang and Shennan Expressways Service Agreement with Shandong Hi-Speed Group and Shandong Hi-Speed Group Liaocheng Branch on 30 December 2022 for the continuation of the provision of services under the Deshang and Shennan Expressways Service Agreement for the period from 1 January 2023 to 31 December 2023.

#### Pricing policy:

Service fees include staff costs and management fees, among which, the management fees will be determined on a cost-plus basis, that is, based on relevant staff costs plus 6.57%.

As the employees providing the services under the 2023 Deshang and Shennan Expressways Service Agreement are Public-Sector Employees, their wages are subject to the relevant PRC laws, regulations and requirements concerning the remuneration packages for employees in public institutions. The Board confirms that the aforesaid management fee encompasses the expenses to be borne by Shandong Hi-Speed Group Liaocheng Branch incurred from, among others, administration of remuneration and benefits, making social security and insurance contributions, management of staff files and records, labour union expenditures, arranging for physical examination, handling staff retirement, and tax expenses arising from the aforesaid activities. The above management fee is determined by the parties upon arm's length negotiations after taking into account a number of factors including operating costs, technical levels and the expertise of such staff performing the services, and the average management fee of relevant industry peers for provision of similar services.

#### Annual caps:

The annual caps of the Company under the 2023 Deshang and Shennan Expressways Service Agreement for the year ending 31 December 2023 shall be RMB43,050,000. For the year ended 31 December 2023, the actual transaction amount under the 2023 Deshang and Shennan Expressways Service Agreement was RMB39,338,000.

## Report of the Board of Directors

### *(4) The 2021-2023 General Services Framework Agreement and the 2024-2026 General Services Framework Agreement*

Pursuant to 2021-2023 General Services Framework Agreement, from 18 June 2021 to 31 December 2023, Shandong Hi-Speed Group and its relevant subordinated entities would provide the Group with certain services in relation to highway business operation, including (i) highway design services including planning, renovation, engineering, survey and system design of flyovers, road surfaces, highways and ancillary facilities; (ii) highway inspection and maintenance services including regular inspections of roadbed and road surface, regular and ad-hoc inspections of bridges and tunnels as well as maintenance and repair of flyovers and road surfaces; (iii) highway research and analysis services including survey and analysis of road sections, research on the treatment measures and techniques, projection of and research on the traffic flow and toll income; and (iv) highway construction supporting services including monitoring of highway technologies, project supervision, project contracting, supply of bulk materials and other related or similar services.

Reference is made to the announcement dated 3 May 2021 of the Company. As disclosed therein, the Company received a notice from the Shandong Provincial Traffic Transport Department that the R&E Project of Jihe Expressway has been listed as a project planned to be implemented under the “14th Five-Year Plan”, and the Company was required to accelerate the commencement of the relevant preliminary preparation works. Taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant subordinated entities, the progress of preliminary works under the R&E Project of the Jihe Expressway and the expected increase in the demand for such services of the Company, the Board passed a resolution on 26 August 2021 to adopt the proposed revision of the annual caps under the Agreement for each of the three years ending 31 December 2023 to RMB100 million, RMB200 million and RMB100 million respectively, which has been considered, approved and confirmed at the extraordinary general meeting on 13 December 2021.

Subsequently, with the main works under the R&E Project carried out during the Reporting Period, taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant subordinated entities, the progress of main works under the R&E Project on the Jihe Expressway, the winning bid of the main project section under the R&E Project the expected further increase in the demand for such services of the Company, the Board passed a resolution on 20 May 2022 to adopt the proposed revised annual caps (being RMB1.7 billion and RMB2.4 billion respectively) as the respective annual caps for the two years ending 31 December 2023, which has been considered, approved and confirmed at the extraordinary general meeting on 19 August 2022.

In view of the expiry of the 2021-2023 General Services Framework Agreement on 31 December 2023, the Company and Shandong Hi-Speed Group entered into 2024-2026 General Services Framework Agreement on 23 November 2023. The service under the 2021-2023 General Services Framework Agreement will be renewed for the period from 1 January 2024 to 31 December 2026. The 2024-2026 General Services Framework Agreement and the transactions thereunder been considered, approved and confirmed at the extraordinary general meeting on 29 December 2023.

## Report of the Board of Directors

Pricing policies:

The pricing of each of the services provided under the 2021-2023 General Services Framework Agreement and the 2024-2026 General Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular service at any time within the agreement period of the Agreement, the price of such service shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where the central or local government guided price standard is available for a particular service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such service shall be determined within the range of the government-guided price through negotiation;
- (iii) market price: where the above two price standards are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service that require bidding procedures as required by laws and regulations, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. If such service is the one that requires bidding procedures according to laws and regulations, the price shall be the price determined by the bidding procedures. When the relevant project meets the required standards, the Company must conduct bidding to determine the counterparty of the transaction, and if Shandong Hi-Speed Group and its relevant subordinated entities win the bid, they must also satisfy the bid winning conditions.

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

- (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the same or similar service provided by Shandong Hi-Speed Group and its relevant subordinated entities to any third party, and the minimum quotation for such service.

## Report of the Board of Directors

Annual caps:

The annual caps under the 2012-2023 General Services Framework Agreement of the Company for the two years ending 31 December 2023 shall be RMB2,400,000,000.

For the year ended 31 December 2023, the actual transaction amount under the 2021-2023 General Services Framework Agreement was RMB1,445,647,000.

Pursuant to the terms and pricing policies of the 2024-2026 General Services Framework Agreement, the annual caps for the three years ending 31 December 2026 under the 2024-2026 General Services Framework Agreement of the Company shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	2,600,000
2025	600,000
2026	100,000

(5) *2021-2023 Financial Services Framework Agreement and 2024-2026 Financial Services Framework Agreement*

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

In view of the expiry of the 2021-2023 Financial Services Framework Agreement on 31 December 2023, the Company and Shandong Expressway Group entered into the 2024-2026 Financial Services Framework Agreement on 23 November 2023 to renew the transactions under the 2021-2023 Financial Services Framework Agreement and 2023 Cross-border Fund Centralised Operation and Management Services Agreement (details of which are set out in the paragraph headed “2023 Cross-border Fund Centralised Operation and Management Services Agreement” in this section) for the period from 1 January 2024 to 31 December 2026, subject to the change of service provider from Weihai City Commercial Bank to Shandong Hi-Speed Group and its subsidiary. The 2024-2026 Financial Services Framework Agreement and the deposit services and the transactions of cross-border fund centralised operation and management services thereunder were considered, approved and confirmed at the extraordinary general meeting on 29 December 2023.

## Report of the Board of Directors

Pricing policies:

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

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

Annual caps:

- (1) Deposit Services

The annual cap for deposit services under the 2021-2023 Financial Services Framework Agreement of the Company for the year ended 31 December 2023 was RMB1,000,000,000.

For the year ended 31 December 2023, under the 2021-2023 Financial Services Framework Agreement, the daily maximum deposit balance (including accrued interest) of the Group in Weihai City Commercial Bank was RMB182,168,000.

Pursuant to the terms and pricing policies of the 2024-2026 Financial Services Framework Agreement, the annual caps for deposit services under the 2024-2026 Financial Services Framework Agreement for the three years ending 31 December 2026 Company shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	1,000,000
2025	1,000,000
2026	1,000,000

## Report of the Board of Directors

### (2) The Other Financial Services

The annual cap for the other financial services under the 2021-2023 Financial Services Framework Agreement of the Company for the year ended 31 December 2023 was RMB10,000,000.

For the year ended 31 December 2023, under the 2021-2023 Financial Services Framework Agreement, the actual transaction amount under the other financial service was RMB0 thousand.

Pursuant to the terms and pricing policies of the 2024-2026 Financial Services Framework Agreement, the annual caps for the Other Financial Services under the 2024-2026 Financial Services Framework Agreement of the Company for the three years ending 31 December 2026 shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	5,000
2025	5,000
2026	5,000

### (3) Cross-border Fund Centralised Operation and Management Services

Pursuant to the terms and pricing policies of the 2024-2026 Financial Services Framework Agreement, the annual caps for cross-border fund centralised operation and management services under the 2024-2026 Financial Services Framework Agreement for the three years ending 31 December 2026 shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	140,000
2025	140,000
2026	150,000

## Report of the Board of Directors

### *(6) Services Provision Framework Agreement and 2024-2026 Services Provision Framework Agreement*

The Company entered into the Services Provision Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group provided certain services for Shandong Hi-Speed Group and its subordinated companies, primarily including labour subcontracting, consulting services, lease services, warehousing and logistics services, installation services, trade services, agent construction services, import and export of goods, project management service and landscaping services, as well as all other services prescribed under the Group's registered business scopes and as permitted by applicable laws.

In view of the expiry of the Service Provision Framework Agreement on 31 December 2023, the Company and Shandong Hi-Speed Group entered into the 2024-2026 Service Provision Framework Agreement on 23 November 2023 for the renewal of the transactions under the 2024-2026 Service Provision Framework Agreement for the period from 1 January 2024 to 31 December 2026.

Pricing policies:

The pricing of each of the services provided under the Services Provision Framework Agreement and 2024-2026 Services Provision Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular service, the price of such service shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such service shall be determined within the range of the government-guided price through negotiation;

## Report of the Board of Directors

- (iii) market price: where the above two price standards are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service, and such service does not fall within those services subject to tender process pursuant to laws and regulations, the price of such service shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the service falls within those services subject to tender process pursuant to laws and regulations or the party receiving the service must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

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

- (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar service sold by the parties and their relevant subordinate entities to any third party.

Annual caps:

The annual caps under the Services Provision Framework Agreement of the Company for the year ended 31 December 2023 was RMB40,000,000.

For the year ended 31 December 2023, the actual transaction amount of the Services Provision Framework Agreement was RMB8,365,000.

Pursuant to the terms and pricing policies of the 2024-2026 Services Provision Framework Agreement, the annual caps for 2024-2026 Services Provision Framework Agreement of the Company for the three years ending 31 December 2026 shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	650,000
2025	120,000
2026	140,000



## Report of the Board of Directors

### (7) *General Procurement Framework Agreement and 2024-2026 General Procurement Framework Agreement*

The Company entered into the General Procurement Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group procured certain goods from Shandong Hi-Speed Group and its subordinated companies, primarily including steel reinforcement bars, strand, cement, geomaterials, asphalt, concrete and other building materials, construction equipment and their accessories, as well as all other items prescribed under the registered business scopes of Shandong Hi-Speed Group and its subordinated companies and as permitted by applicable laws.

In view of the expiry of the General Procurement Framework Agreement on 31 December 2023, the Company and Shandong Hi-Speed Group entered into the 2024-2026 General Procurement Framework Agreement on 23 November 2023 to renew the transactions under the General Procurement Framework Agreement for the period from 1 January 2024 to 31 December 2026. The 2024-2026 General Procurement Framework Agreement and the transactions thereunder were considered, approved and confirmed by the extraordinary general meeting on 29 December 2023.

Pricing policy:

The pricing of each of the goods procured under the General Procurement Framework Agreement and 2024-2026 General Procurement Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular product, the procurement price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;

## Report of the Board of Directors

- (iii) market price: where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

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

- (a) the prevailing market price charged by any third party selling/procuring a similar product in the region, taking into consideration of the quotation from other product suppliers providing the similar product and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar product sold/procured by the parties and their relevant subordinate entities to/from any third party.

Annual caps:

The annual caps under the General Procurement Framework Agreement of the Company for the years ended 31 December 2023 was RMB1,100,000,000.

For the year ended 31 December 2023, the actual transaction amount under the General Procurement Framework Agreement was RMB379,173,000.

Pursuant to the terms and pricing policies of the 2024-2026 General Procurement Framework Agreement, the annual caps for 2024-2026 General Procurement Framework Agreement of the Company for the three years ending 31 December 2026 shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	650,000
2025	55,000
2026	55,000

## Report of the Board of Directors

### *(8) General Sales Framework Agreement and 2024-2026 General Sales Framework Agreement*

The Company entered into the General Sales Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group sold certain goods to Shandong Hi-Speed Group and its subordinated companies, primarily including asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, and plantation protection materials, as well as all other items prescribed under the Group's registered business scopes and as permitted by applicable laws.

In view of the expiry of the General Sales Framework Agreement on 31 December 2023, the Company and Shandong Hi-Speed Group entered into the 2024-2026 General Sales Framework Agreement on 23 November 2023 to renew the transactions under the General Sales Framework Agreement for the period from 1 January 2024 to 31 December 2026. The 2024-2026 General Sales Framework Agreement and the transactions thereunder were considered, approved and confirmed by the extraordinary general meeting on 29 December 2023.

Pricing policy:

The pricing of each of the goods provided under the General Sales Framework Agreement and 2024-2026 General Sales Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular product, the selling price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;

## Report of the Board of Directors

- (iii) market price: where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

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

- (a) the prevailing market price charged by any third party selling/procuring a similar product in the region, taking into consideration of the quotation from other product suppliers providing the similar product and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar product sold/procured by the parties and their relevant subordinate entities to/from any third party.

Annual caps:

The annual caps under the General Sales Framework Agreement of the Company for the years ended 31 December 2023 was RMB1,000,000,000.

For the year ended 31 December 2023, the actual transaction amount under the General Sales Framework Agreement was RMB452,551,000.

Pursuant to the terms and pricing policies of the 2024-2026 General Sales Framework Agreement, the annual caps for 2024-2026 General Sales Framework Agreement of the Company for the three years ending 31 December 2026 shall be:

Year	Annual cap for the year ending 31 December <i>RMB'000</i>
2024	700,000
2025	150,000
2026	180,000

## Report of the Board of Directors

### (9) *The 2023 Cross-Border Fund Centralised Operation and Management Services Agreement*

The Company entered into the 2023 Cross-border Fund Centralised Operation and Management Services Agreement with Shandong Hi-Speed Group on 8 June 2023, pursuant to which Shandong Hi-Speed Group agrees to provide the Cross-border Fund Centralised Operation and Management Services to the Company in accordance with the terms and conditions of the agreement for the period from the effective date of the agreement (i.e. 8 June 2023) to 31 December 2023. Shandong Hi-Speed Group acts as the principal corporate entity to provide the Group with Cross-border Fund Centralised Operation and Management Services at nil consideration, in particular, Shandong Hi-Speed Group will incorporate the Group as a member of its cross-border fund centralised operation, and upon the Group remitting the relevant fund to Shandong Hi-Speed Group's specified account for centralised cross-border fund operation and management, the business cooperation bank (業務合作銀行) of Shandong Hi-Speed Group will process the remittance in accordance with the approved cross-border remittance application and business background information. The Group will use the Cross-border Fund Centralised Operation and Management Services for the purposes of cross-border remittance related matters such as collection and payment as well as net settlement for foreign debts, overseas lending and centralised recurring project funding.

In view of the expiry of the 2023 Cross-border Fund Centralised Operation and Management Services Agreement on 31 December 2023, the Company and Shandong Hi-Speed Group entered into the 2024-2026 Financial Services Framework Agreement on 23 November 2023 to renew the transactions under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement from 1 January 2024 to 31 December 2026. The 2024-2026 Financial Services Framework Agreement and the cross-border fund centralised operation management services transactions thereunder (together with the deposit services transactions thereunder) were considered, approved and confirmed by the extraordinary general meeting on 29 December 2023. For further details, please refer to the paragraph headed "2021-2023 Financial Services Framework Agreement and 2024-2026 Financial Services Framework Agreement" in this section.

Pricing policy:

No service fee was charged by Shandong Hi-Speed Group for the provision of cross-border fund centralised operation and management services to the Group.

Annual caps:

	From 8 June 2023 to 31 December 2023 RMB'000
Cross-border fund centralised operation and management services	
Previous daily fund balance caps	140,000
Historical daily fund balances	0 <sup>(Note)</sup>

## Report of the Board of Directors

*Note:*

- (1) The cross-border fund transfers during the period from 8 June 2023 to 31 December 2023 were completed on the same day and therefore the historical daily fund balances were nil. Fund transfers on the same day do not exceed the previous daily fund balance cap.

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

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. That is, nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions: (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (4) have exceeded the caps.

The significant related party transactions set out in Note 36 to the consolidated financial statements (except for the income collection arrangement in relation to the toll income related trade receivables from Shandong Transport Department) which also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

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

## Report of the Board of Directors

### COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS

The Company has entered into with each of Qilu Transportation and COSCO SHIPPING (Hong Kong), the Non-Competition Agreement, under which each of Qilu Transportation and COSCO SHIPPING (Hong Kong), as our controlling shareholder, has undertaken that, save for the existing business of Qilu Transportation and COSCO SHIPPING (Hong Kong) as at 12 December 2017, it would not, in any way, directly or indirectly, procure a third party to engage in or otherwise participate in, any business that competes, or is likely to compete with the existing and future business which is engaged in or intended to be engaged in by the Company and its subsidiaries according to our business development (the “Principal Businesses of the Company and its Subsidiaries”).

The foregoing restrictions shall not apply to the following circumstances:

- (i) the acquisition or holding by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries for investment purpose of non-convertible bonds, or convertible bonds in relation to not more than 5.00% equity interests of other listed or non-listed companies which competes or is likely to compete with the Principal Businesses of the Company and its Subsidiaries;
- (ii) according to the Non-Competition Agreements, in the event that the Company decides not to take up the New Business Opportunity (as defined below), and Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries shall decide to take up the New Business Opportunity on its own;
- (iii) the engagement or participation by Qilu Transportation or COSCO SHIPPING (Hong Kong) in the investment, development, maintenance, operation and management of any expressways running within/through Shandong Province of the PRC, the establishment and operation of the advertisement billboards along the expressways under its operation and/or management, and the operation of other businesses in relation to toll roads in accordance with specific written approvals or instructions from the competent provincial government departments. However, Qilu Transportation or COSCO SHIPPING (Hong Kong) shall communicate with the Company before the issuance of such approval or instruction in order to minimise the impact of relevant projects on the Company. However, (i) if Qilu Transportation or COSCO SHIPPING (Hong Kong) has the autonomous right to select the execution entity of such projects covered by such approvals or instructions, such projects are still subject to the requirements under the Non-Competition Agreement; or (ii) if the projects covered by such approvals and instructions cause actual competition with or bring impact to the Principal Businesses of the Company and its Subsidiaries, Qilu Transportation or COSCO SHIPPING (Hong Kong) and the Company shall use the best efforts to procure the competent government authorities to fully consider the relevant factors before issuing such approvals or instructions; and
- (iv) additional capital injection by Qilu Transportation or COSCO SHIPPING (Hong Kong) to their respective subsidiaries being involved in such businesses in accordance with the prevailing business development needs. However, if the additional capital will be used for business that competes or is likely to compete with the Principal Businesses of the Company and its Subsidiaries, such business shall still be subject to the Non-Competition Agreements.

## Report of the Board of Directors

### OPTIONS FOR NEW BUSINESS OPPORTUNITIES

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken in the Non-Competition Agreements that during the term of the Non-Competition Agreements, if Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries becomes aware of any new business opportunity which will directly or indirectly compete or is likely to compete with the Principal Businesses of the Company and its Subsidiaries (the “**New Business Opportunity**”), Qilu Transportation or COSCO SHIPPING (Hong Kong) shall notify us in writing of the New Business Opportunity within ten working days after it becomes aware of the New Business Opportunity (the “**Offer Notice**”) and provide with us all required information about the New Business Opportunity, and use its best efforts to procure the New Business Opportunity to us or our subsidiaries on fair and reasonable terms and conditions. Our Group is entitled to decide whether or not to take up such New Business Opportunity in writing within ten working days or within a time period as otherwise agreed by the parties from receiving the Offer Notice. If so, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries must pass on the New Business Opportunity to us or our subsidiaries under the same terms and conditions.

### OPTIONS FOR ACQUISITIONS

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

### PRE-EMPTIVE RIGHTS

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

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken that, during the term of the Non-Competition Agreements, if they or any of their respective subsidiaries intend to transfer, sell, lease, license or otherwise transfer or permit to use (i) businesses or assets in the existing businesses of Qilu Transportation or COSCO SHIPPING (Hong Kong) which are the same as or similar to the Principal Businesses of the Company; or (ii) the above new business to a third party, it shall notify the Company by a written notice in advance.

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



## Report of the Board of Directors

### THE RIGHTS AND OBLIGATIONS OF SHANDONG HI-SPEED GROUP ASSUMED FROM QILU TRANSPORTATION TO THE GROUP UPON JOINT RESTRUCTURING

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

Therefore, the previous contractual rights and obligations of Qilu Transportation under the sub-sections headed “COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS”, “OPTIONS FOR NEW BUSINESS OPPORTUNITIES”, “OPTIONS FOR ACQUISITIONS” and “PRE EMPTIVE RIGHTS” in this section have been undertaken by Shandong Hi-Speed Group.

The Company has received confirmation notices issued by each of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong), confirming that they have complied with the Non-Competition Agreements for the year ended 31 December 2023, and made disclosure in this annual report. The independent non-executive Directors have also reviewed the compliance with and execution of the Non-Competition Agreements by Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) in accordance with such confirmation notices, and confirmed that they were not aware of any non-compliance of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) with the commitments made in the Non-Competition Agreements for the year ended 31 December 2023. For the year ended 31 December 2023, the Company has not been offered any New Business Opportunities.

### EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB203,667,000. The remuneration for the Group's employees includes basic salaries, bonuses and other staff benefits, such as social insurance, housing provident fund, corporate annuity, supplementary medical insurance and group life accident insurance coverage. In general, the Group determines the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. The Group also provides our employees with continuing education and regular on-the-job training based on their job duties. As stipulated by the laws and regulations in the PRC, the Group contributes to the state-sponsored retirement scheme for its employee in the PRC (i.e. pension insurance). The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant income, subject to certain ceiling. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All the employees are entitled to an additional pension each year aggregating to 10% of the previous year's salaries.

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

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

## Report of the Board of Directors

### SHARE CAPITAL

As at 31 December 2023, the total issued shares of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares (comprising 1,100,000,000 H Shares and 900,000,000 Domestic Unlisted Shares), with a nominal value of RMB1.00 each.

Share capital as at 31 December 2023 was as follows:

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

Details of movements in the share capital of the Company during the Year are set out in Note 30 to the financial statements in this report.

Reference is made to the announcement of the Company dated 1 February 2024 in relation to (among other things) the Company's receipt of notices from the Company's shareholders Shandong Hi-Speed Company Limited and Guoneng Power Technology & Engineering Co., Ltd. that they intended to convert 778,500,000 and 121,500,000 domestic unlisted shares held by them in the Company respectively (being 900,000,000 Domestic Unlisted Shares in aggregate, representing all the Domestic Unlisted Shares in the entire share capital of the Company) into the Company's overseas listed shares (that is, the H shares of the Company) for listing and circulation on the Stock Exchange (the "H Share Full Circulation"), and to authorise the Company to make the relevant applications (the "Conversion and Listing"). The Company will make further disclosure(s) on the progress of the H Share Full Circulation and the Conversion and Listing in accordance with the requirements of applicable laws and regulations (including but not limited to the Listing Rules).

### PRE-EMPTIVE RIGHTS

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

### SHARE OPTION SCHEME

The Company did not adopt any share option scheme.

## Report of the Board of Directors

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

As at 31 December 2023, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total capital of the Company	Long position/ short position
Shandong Hi-Speed	778,500,000	Beneficial interest	Domestic Unlisted Shares	86.50%	38.93%	Long position
Shandong Hi-Speed Group <sup>(Note 1)</sup>	778,500,000	Interest in controlled corporation	Domestic Unlisted 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>(Note 2)</sup>	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited <sup>(Note 2)</sup>	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
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>(Note 3)</sup>	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
China Merchants Group Limited <sup>(Note 3)</sup>	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
Guoneng Power Technology & Engineering Co., Ltd.	121,500,000	Beneficial interest	Domestic Unlisted Shares	13.50%	6.08%	Long position
China Energy Guoyuan Power Co., Ltd. <sup>(Note 4)</sup>	121,500,000	Interest in controlled corporation	Domestic Unlisted Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited <sup>(Note 4)</sup>	121,500,000	Interest in controlled corporation	Domestic Unlisted Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited <sup>(Note 5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Holdings Limited <sup>(Note 5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited <sup>(Note 5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

## Report of the Board of Directors

Name of Shareholders	Number of 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
Prudential plc <sup>(Note 5)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited <sup>(Note 6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited <sup>(Note 6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited <sup>(Note 6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited <sup>(Note 6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation <sup>(Note 6)</sup>	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

### Notes:

- 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 Unlisted Shares held by Shandong Hi-Speed under the SFO.
- 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.
- Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd. 68.65% shares of China Merchants Expressway Network & Technology Holdings Co., Ltd. is owned by China Merchants Group Limited. Therefore, China Merchants Expressway Network & Technology Holdings Co., Ltd. and China Merchants Group Limited are deemed to be interested in the H Shares held by Cornerstone Holdings Limited under the SFO.
- 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 Unlisted Shares held by Guoneng Power Technology & Engineering Co., Ltd. under the SFO.

## Report of the Board of Directors

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.

Save as disclosed above, as at 31 December 2023, so far as is known to our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in the Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

So far as is known to our Directors, as at 31 December 2023, none of our Directors, Supervisors or chief executives 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 or 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 Year, the Company did not repurchase, sell or redeem any of its Shares.

### PUBLIC FLOAT

During the Reporting Period, according to the information available to the Company and to the knowledge of the Directors, the public float of the Company is not less than 25%, complying with the relevant regulations of Rules 8.08 and 13.32 of the Listing Rules.

## Report of the Board of Directors

### DIRECTORS AND SUPERVISORS

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

#### Executive Directors

Mr. Wang Zhenjiang (*Chairman of the Board*)

Mr. Peng Hui

Mr. Liu Qiang

#### Non-Executive Directors

Mr. Ma Xianghui

Ms. Kong Xia

Mr. Su Xiaodong

Mr. Kang Jian

Mr. Wang Gang

Mr. Shi Jinglei

Mr. Du Zhongming

Mr. Chen Dalong (*resigned as a non-executive Director on 27 June 2023*)

Mr. Wang Shaochen (*resigned as a non-executive Director on 27 June 2023*)

Mr. Zhou Cenyu (*resigned as a non-executive Director on 27 June 2023*)

#### Independent Non-Executive Directors

Mr. Liu Hongwei

Mr. He Jiale

Mr. Wang Lingfang

Mr. Leng Ping

Ms. Shen Chen

Mr. Cheng Xuezhao (*Resigned as an Independent non-executive Director on 27 June 2023*)

Mr. Li Hua (*ceased to be an Independent non-executive Director on 27 June 2023*)

Mr. Han Ping (*retired as an independent non-executive Director on 27 June 2023*)

#### Shareholder Representative Supervisors

Mr. Wang Shenan (*Chairperson of the Supervisory Committee*)

Mr. Zhang Yin

Mr. Wu Yongfu

Ms. Meng Xin (*resigned as shareholder representative supervisor on 27 June 2023*)

#### Employee Supervisors

Mr. Dong Junjie

Ms. Hou Qinghong

Mr. Hao Dehong

Mr. Wang Shun (*resigned as employee supervisor on 19 May 2023*)

#### Independent Supervisors

Mr. Meng Qinghui

Mr. Dong Ensheng

Mr. Li Ruzhi (*resigned as independent supervisor on 27 June 2023*)

## Report of the Board of Directors

### CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Lian Shengguo tendered his resignation as a Joint Company Secretary of the Company due to the Company's internal duties re-allocation, with effect from 19 May 2023. He will continue to serve as the deputy general manager and the member of the party committee of the Company. For details, please refer to the announcement the Company dated 19 May 2023.

Reference is made to the announcements of the Company dated 19 May 2023 and 27 June 2023 and the circular dated 7 June 2023 in relation to, among other things, in relation to, among other things, the re-election of the Company and the election of directors and supervisors of the Company. As considered and approved at the 2022 annual general meeting, Mr. Wang Zhenjiang, Mr. Peng Hui and Mr. Liu Qiang have been appointed as executive Directors of 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 of the third session of the Board; and Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen have been appointed as independent non-executive Directors of the third session of the Board. Each of the aforesaid Directors collectively constitutes the third session of the Board of the Company and will hold office for a term of three years commencing from the date of approval at the 2022 annual general meeting.

On the same day, Mr. Chen Dalong, Mr. Wang Shaochen and Mr. Zhou Genyu 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 annual general meeting. Mr. Li Hua also ceased to be an independent non-executive Director upon the conclusion of the 2022 annual general meeting.

## Report of the Board of Directors

The Company held an employee representative meeting on 19 May 2023, pursuant to which Ms. Hou Qinghong and Mr. Hao Dehong were re-elected as employee Supervisors of the third session of the Supervisory Committee, and Mr. Dong Junjie was elected as an employee Supervisor of the third session of the Supervisory Committee. In addition, as considered and approved at the 2022 annual general meeting, Mr. Wang Shenan, Mr. Zhang Yin and Mr. Wu Yongfu have been appointed as shareholder representative Supervisors of the third session of the Supervisory Committee; and Mr. Meng Qinghui and Mr. Dong Ensheng have been appointed as independent Supervisors of the third session of the Supervisory Committee. Each of the above employee representative Supervisors and non-employee representative Supervisors will form the third session of the Supervisory Committee for a term of three years commencing from the date of the 2022 annual general meeting.

Mr. Wang Shun has retired as an employee representative Supervisor on the date of the employee representative meeting held on 19 May 2023, and Ms. Meng Xin and Mr. Li Ruzhi have retired as a shareholder representative Supervisor and an independent Supervisor, respectively, with effect from the conclusion of the 2022 annual general meeting.

At the meeting of the third session of the Board held on 27 June 2023, Mr. Wang Zhenjiang and Mr. Ma Xianghui were elected as the chairman and 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; Mr. Chen Xiulin was also 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. Each of the above positions has a term of three years commencing from the date the appointment and ending on the expiry of the term 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 for a term of three years commencing on the date the appointment and ending on the expiry of the term 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 Group during the Reporting Period.

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

Ms. Xu Yuehong resigned as the deputy general manager of the Company as she has reached the statutory age for retirement, with effect from 5 January 2024. For details, please refer to the announcement of the Company dated 5 January 2024.

Ms. Liu Yan has been appointed as the deputy general manager of the Company with the term of office commencing from the date of this announcement and up to the expiry of the term of office of the third session of the Board. For details, please refer to the announcement of the Company dated 26 March 2024.

Save as disclosed above, there was no change of Directors, Supervisors and senior management of the Group after the Reporting Period and up to the date of this report.



## Report of the Board of Directors

### CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Liu Qiang ceased to be the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of the Company since December 2023.

Mr. Su Xiaodong has been appointed as the vice-chairman of Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000096.SZ) since May 2023.

Mr. Liu Hongwei ceased to be a secretary (書記) and professor of Cheeloo College of Medicine of Shandong University (山東大學學院) since March 2023 and has become an independent director of Yintai Gold Co., Ltd. (銀泰黃金股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000975.SZ) since November 2023.

Mr. He Jiale ceased to be an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (上海中谷物流股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603565) since December 2023.

Save as disclosed above, since the date of the Company's 2022 annual report and up to the date of this report, there were no other changes in the information of the Directors and the Supervisors which shall be disclosed and has been disclosed under Rule 13.51B(1) of the Listing Rules.

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

## Report of the Board of Directors

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

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

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the date of this annual report
Mr. Ma Xianghui (馬向輝)/ Non-Executive Directors	the vice president of COSCO SHIPPING (Hong Kong) and the deputy general manager of COSCO SHIPPING International.
Kong Xia (孔霞)/ Non-Executive Directors	Deputy head of the organization department of the party committee (party committee of the head office) of Shandong Hi-Speed Group
Su Xiaodong (蘇曉東)/ Non-executive Director	Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong); as well as director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); (iii) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the holding company of the above companies (i) to (xii))
Mr. Kang Jian (康建)/ Non-Executive Directors	A member of the party committee and deputy general manager of Shandong Hi-Speed and a director of Shandong Hi-Speed Rail Transit Group
Mr. Wang Shenan (王慎安)/ Chairman of the Supervisory Committee	General Manager of the audit and supervision department of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International
Mr. Zhang Yin (張引)/ Shareholder Representative Supervisor	The director of the project development and capital operation centre of Shandong Hi-Speed Group.

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

## Report of the Board of Directors

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

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

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

### MANAGEMENT CONTRACTS

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

### PERMITTED INDEMNITY PROVISION

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

### THE BOARD AND BOARD COMMITTEES

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

### MATERIAL LITIGATION AND ARBITRATION

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

### AUDIT COMMITTEE

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

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

## Report of the Board of Directors

### AUDITORS

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young. The domestic and international auditors of the Company, Ernst & Young Hua Ming LLP and Ernst & Young, will retire at the 2023 AGM. After obtaining the recommendation from the Audit Committee, the Board has resolved to propose the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor and international auditor of the Company for 2024, respectively. The proposed appointment is subject to Shareholders' approval at the 2023 AGM. The term of service of Ernst & Young Hua Ming LLP and Ernst & Young is proposed to commence from the date of Shareholders' approval at the 2023 AGM until the conclusion of the next annual general meeting of the Company.

The auditors of the Company have not been changed in the last three years.

### BUSINESS REVIEW

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

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

The Company has published the environmental, social and governance report 2023 in accordance with the requirements of Appendix C2 of the Listing Rules, and the contents therein form a part of this Report of the Board of Directors.

### EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event after the Reporting Period.

By order of the Board  
Wang Zhenjiang  
*Chairman*

Shandong, the People's Republic of China  
26 March 2024

## Work Report of the Supervisory Committee

In 2023, members of the supervisory committee (hereinafter referred to as the “Supervisory Committee”) of Qilu Expressway Company Limited (hereinafter referred to as the “Company”) performed their supervisory duties diligently in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other domestic and overseas regulatory regulations and the articles of association of Qilu Expressway Company Limited (hereinafter referred to as the “Articles of Association”). During the year, all Supervisors attended or observed the general meetings, Board meetings, meetings of the Supervisory Committee and other meetings that need to be attended in accordance with laws and regulations. The attendance rate complied with the requirements of their duties. All Supervisors carried out their work in a faithful, proactive and prudent manner to ensure that the Supervisory Committee performed its duties conferred by all Shareholders.

### I. ATTENDANCE OF MEETINGS OF THE SUPERVISORY COMMITTEE IN 2023

During the Year, the Supervisory Committee held four meetings in total, and all resolutions were unanimously approved by all Supervisors. Details of the meetings are as follows:

- (1) The 8th of the second session meetings of the Supervisory Committee cum annual meeting was held on March 24, 2023, at which the Work Report of the Supervisory Committee for 2022, the Profit Distribution and Dividend Distribution Plan for 2022, the Final Financial Report for 2022, the Financial Budget Plan for 2023, the Evaluation Report on Internal Control for 2022, the Resolution on the Statement of the Management to the Auditor in relation to the Audit of the Company’s 2022 Financial Statements, the Audited Financial Statements and the Auditor’s Report of the Company for 2022, the Report on Related Party Transactions and Continuing Connected Transactions of the Company for 2022, and the 2022 Annual Report of the Company were considered;
- (2) The 9th meeting of the second session of the Supervisory Committee was held on 19 May 2023, at which the Resolution on Re-election of the members of Supervisory Committee and Nomination of Mr. Wang Shenan as Candidate for Non-employee Supervisor of the Third Session of the Supervisory Committee, the Resolution on Re-election of the members of Supervisory Committee and Nomination of Mr. Zhang Yin as Candidate for Non-employee Supervisor of the Third Session of the Supervisory Committee, the Resolution on Re-election of the members of Supervisory Committee and Nomination of Mr. Wu Yongfu as Candidate for Non-employee Supervisor of the Third Session of the Supervisory Committee, the Resolution on Re-election of the members of Supervisory Committee and Nomination of Mr. Meng Qinghui as Candidate for Non-employee Supervisor of the Third Session of the Supervisory Committee, and the Resolution on Remuneration of Supervisors were considered;
- (3) The first meeting of the third session of the Supervisory Committee was convened on 27 June 2023 to consider the Resolution on the Election of the Chairman of the Third Session of the Supervisory Committee of the Company;

## Work Report of the Supervisory Committee

- (4) The second meeting of the third session of the Supervisory Committee was held on 29 August 2023, at which the Resolution on the Company's Reviewed Interim Financial Statements for 2023 was considered and approved;
- (5) During the year, the Supervisors attended two general meetings and seven Board meetings. No objection was raised to the reports and proposals submitted by the Board to the general meeting for consideration after review.

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

### (1) Legal operation of the Company

During the Reporting Period, the Company carried out its business activities in accordance with the law, while its decision-making procedures complied with the relevant provisions of laws, regulations and the Articles of Association. The Company has a sound internal control system and a complete compliance system. The Company has conscientiously performed its production and operation functions and achieved satisfactory results by closely focusing on the relevant requirements of the resolutions of the Board and the general meeting, as well as the work objectives and tasks formulated at the beginning of the year. The Supervisory Committee is of the view that the Company's business activities are conducted in a standardised and orderly manner. Major decisions are made with reasonableness, and procedures adhere to legal and regulatory requirements. Operations are carried out in a standardised manner. There were no violations of laws and regulations.

### (2) Checking the Company's financial position and independent opinion on the annual report

The Supervisory Committee has thoroughly reviewed the financial report for the year, which was audited by an auditing firm. The audit report issued by the firm contains a standard unqualified opinion. The financial reports truly, accurately and completely reflect the Company's financial condition and operating results. The preparation and review procedures of the financial report complied with relevant laws, regulations, and regulatory requirements. The Company has prepared the "2023 Annual Report" in accordance with the provisions of the law, regulations, and the Company's articles of association. The content of the report is true, accurate, and complete, without any false or misleading information or significant deficiencies.

## Work Report of the Supervisory Committee

### (3) Internal Control of the Company

The Supervisory Committee is of the view that the internal control system of the Company is complete and the content and form of the evaluation report comply with the requirements of relevant laws, regulations and regulatory documents. During the evaluation period, the Company updated and revised the original Internal Control Management Manual to continuously supplement and improve the internal control management system of listed companies. Taking into account the business characteristics and risk structure of each functional department, the Risk Management Measures at the headquarters level and the risk classification list were prepared and issued, while the risk management and control system framework was initially put in place. The Company revised the Compliance Management Measures, formulated and issued the Operation Rules of the Compliance Management System, the list of compliance bottom lines and the list of compliance risks, and established a basic framework for compliance management. In accordance with the requirements of the corporate internal control standard system and relevant regulations, the Company maintained effective internal control in all material aspects and met the Company's internal control objectives. There were no major defects in respect of internal control.

### (4) Acquisitions and disposals of major assets and external investments

In 2023, the Supervisory Committee conducted supervision and verification in relation to the material disposals and acquisitions of assets and external investment of the Company during the year. No instances of insider trading related to major asset acquisitions, disposals, investments, or other matters were identified. Furthermore, no cases were found that would be detrimental to the interests of the Company and shareholders or result in the loss of the Company's assets.

### (5) Supervision and verification on connected transactions

The Supervisory Committee conducted supervision and verification in relation to the connected transactions of the Company during the year. The transactions between the Company and connected parties during the year were conducted in strict accordance with relevant regulations, which met the needs of the Company's business development and operation. The counterparties, transaction contents, transaction amounts, pricing principles and settlement methods of the daily connected transactions were all in compliance with relevant laws, regulations, and relevant provisions. No connected transactions were identified to be unfair and detrimental to the interests of the Company and its shareholders. No material guarantees, litigations and external borrowings were found during the year.

## Work Report of the Supervisory Committee

### (6) Evaluation on the behavior and performance of the Board and senior management

The Supervisory Committee is of the view that the Directors and senior management of the Company are able to operate business in accordance with the Company Law, the Articles of Association and the requirements of other applicable laws and regulations. The Directors and senior management of the Company have earnestly performed the resolutions and policies made by shareholders and the Board at the annual general meetings, and faithfully fulfilled their duty of good faith. Upon supervision and verification, the Supervisory Committee believes that the Directors and senior management of the Company have diligently fulfilled their duties by making decisions through a democratic process and managing operations in a scientific manner with well-defined objectives. There were no instances of non-compliance with the Company Law, the Articles of Association, or other relevant laws and regulations. Furthermore, no actions were identified that would be detrimental to the rights or interests of the Company or its shareholders.

By order of the Supervisory Committee

**Wang Shenan**

*Chairman*

Shandong, the People's Republic of China

26 March 2024



# Independent Auditor's Report



## To the members of Qilu Expressway Company Limited

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

### OPINION

We have audited the consolidated financial statements of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 126 to 240, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>Amortisation of service concession arrangements</b></p> <p>As stated in note 2.4 and 16 to the consolidated financial statements, as at 31 December 2023, the carrying amount of the service concession arrangements associated with toll roads was RMB10,473,059,000 and the amortisation amount of the service concession arrangements in 2023 was RMB220,923,000. The service concession arrangements associated with toll roads are amortised over the operating period of the toll roads according to the traffic volume method. Amortisation is provided on projected units-of-usage, which is calculated based on the total projected traffic volume during the operating period of each toll road and the carrying amount of the franchise right associated with toll road, combined with the actual traffic volume during each accounting period. The total projected traffic volume determined with reference to the forecast of the management for the total traffic volume during the operating period, which is a significant accounting estimate. Therefore, we identified the amortisation of service concession arrangements as a key audit matter of the consolidated financial statements.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 16 to the consolidated financial statements.</p>	<p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> <li>• We considered whether the amortisation methodology adopted by the Group represented the best expected future economic benefits of the Group;</li> <li>• We evaluated the estimated projected total traffic volume of the Group's expressways and assessed the reasonableness of these estimates;</li> <li>• We analysed the key assumptions used by management in the estimated total traffic volume, such as the Gross Domestic Product ("GDP") growth rate, impact of other road networks in the same area, impact of renovations and expansions;</li> <li>• We recalculated the amortisation of service concession arrangements to check the amortisation disclosed in the consolidated financial statements, and</li> <li>• We assessed the adequacy of the related disclosures in the consolidated financial statements.</li> </ul>

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter (continued)	How our audit addressed the key audit matter
<p><b>Provision for maintenance and resurfacing obligations</b></p> <p>The Group has contractual obligations to maintain and restore the infrastructure under the service concession arrangements to maintain the toll road infrastructure to a specified performance of serviceability.</p> <p>The Group's provision for maintenance and resurfacing obligations amounted to approximately RMB111,164,000 as at 31 December 2023.</p> <p>In determining such provision, management has estimated the relevant maintenance and resurfacing costs based on the physical condition of the toll road infrastructure as at the end of the reporting period, with reference to the evaluation performed by technicians or management.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 28 to the consolidated financial statements.</p>	<p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> <li>• We assessed the competency, capability, and objectivity of the technicians;</li> <li>• We obtained the evaluation reports and understood the methodologies adopted by the technicians or management and compared those with methodologies adopted by other technicians for similar activities in the industry;</li> <li>• We compared the nature of the proposed maintenance activities as set out in the evaluation reports, on a sample basis, with the relevant technical specifications of toll road maintenance issued by the regulator, and assessed the reasonableness of the estimated maintenance and resurfacing costs by comparing with the historical data of comparable maintenance activities; and</li> <li>• We checked the calculation of provisions for maintenance and resurfacing obligations to evaluate mathematical accuracy.</li> </ul>

## Independent Auditor's Report (Continued)

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

## Independent Auditor's Report (Continued)

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

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

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

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

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

## Independent Auditor's Report (Continued)

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

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

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

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

26 March 2024

# Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	5,608,829	2,931,294
Cost of sales		(4,796,845)	(1,771,907)
Gross profit		811,984	1,159,387
Other income and gains	5	71,454	56,396
Selling and distribution expenses		(2,006)	–
Administrative expenses		(106,667)	(77,233)
Impairment losses on financial and contract assets		(12,823)	(10,052)
Other expenses		(19,241)	(3,944)
Finance costs	7	(68,284)	(95,739)
Share of profits and losses:			
Joint ventures		37,366	9,609
An associate		1,808	3,097
PROFIT BEFORE TAX	6	713,591	1,041,521
Income tax expenses	10	(179,688)	(261,465)
PROFIT FOR THE YEAR		533,903	780,056
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		533,903	780,056
Attributable to:			
Owners of the parent		525,260	781,691
Non-controlling interests		8,643	(1,635)
		533,903	780,056
EARNINGS per share ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	12	RMB0.25	RMB0.39
Diluted			
– For profit for the year	12	RMB0.25	RMB0.39

# Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	413,801	293,588
Investment properties	14	16,285	20,290
Right-of-use assets	15(a)	120,842	94,921
Intangible assets	16	10,570,335	6,304,274
Investment in joint ventures	17	–	261,002
Investment in an associate	18	23,455	24,434
Deferred tax assets	29	8,752	4,081
Long-term deposits	24	465,511	410,196
Prepayments, other receivables and other assets	21	982,822	586,479
Total non-current assets		12,601,803	7,999,265
<b>CURRENT ASSETS</b>			
Inventories	19	43,748	17,355
Trade and bills receivables	20	491,916	419,143
Contract assets	22	281,309	70,887
Other current assets	21	18,952	167,931
Prepayments and other receivables	21	467,247	52,892
Financial assets at fair value through profit or loss	23	200,796	1,004,873
Restricted cash	24	2,304	609
Cash and cash equivalents	24	398,957	679,607
Total current assets		1,905,229	2,413,297
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	25	787,073	311,943
Other payables	26	252,706	311,590
Interest-bearing bank and other borrowings	27	545,690	339,843
Lease liabilities	15(b)	2,903	3,235
Tax payable		23,001	18,635
Provisions	28	111,164	123,024
Total current liabilities		1,722,537	1,108,270

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## Consolidated Statement of Financial Position (Continued)

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS		182,692	1,305,027
TOTAL ASSETS LESS CURRENT LIABILITIES		12,784,495	9,304,292
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	27	6,556,825	3,425,261
Lease liabilities	15(b)	67,185	70,206
Other payables	26	19,172	20,908
Deferred tax liabilities	29	84,300	57,465
Deferred income		4,997	2,462
Total non-current liabilities		6,732,479	3,576,302
<b>Net assets</b>		<b>6,052,016</b>	5,727,990
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	30	2,000,000	2,000,000
Financial instruments classified as equity	31	1,988,060	1,812,283
Other reserves	32	281,120	225,758
Retained earnings		1,655,775	1,571,531
		5,924,955	5,609,572
Non-controlling interests		127,061	118,418
<b>Total equity</b>		<b>6,052,016</b>	5,727,990

Wang Zhenjiang

Director

Peng Hui

Director

# Consolidated Statement of Changes In Equity

Year ended 31 December 2023

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 earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2022	2,000,000	-	147,198	1,245,056	3,392,254	-	3,392,254
Profit for the year	-	-	-	781,691	781,691	(1,635)	780,056
Total comprehensive income for the year	-	-	-	781,691	781,691	(1,635)	780,056
Capital injection by a non-controlling shareholder	-	-	-	-	-	120,053	120,053
Issuance of perpetual bonds, net	-	1,795,627	-	-	1,795,627	-	1,795,627
Profit distribution to holders of perpetual bonds	-	16,656	-	(16,656)	-	-	-
Final 2021 dividend declared	-	-	-	(360,000)	(360,000)	-	(360,000)
Transfer from retained earnings	-	-	78,560	(78,560)	-	-	-
At 31 December 2022 and 1 January 2023	2,000,000	1,812,283	225,758	1,571,531	5,609,572	118,418	5,727,990
Profit for the year	-	-	-	<b>525,260</b>	<b>525,260</b>	<b>8,643</b>	<b>533,903</b>
Total comprehensive income for the year	-	-	-	<b>525,260</b>	<b>525,260</b>	<b>8,643</b>	<b>533,903</b>
Capital invested by holders of other equity instruments – perpetual bonds	-	<b>173,755</b>	-	-	<b>173,755</b>	-	<b>173,755</b>
Perpetual bond interest paid	-	<b>(23,632)</b>	-	-	<b>(23,632)</b>	-	<b>(23,632)</b>
Profit distribution to holders of perpetual bonds	-	<b>25,654</b>	-	<b>(25,654)</b>	-	-	-
Final 2022 dividend declared	11	-	-	<b>(360,000)</b>	<b>(360,000)</b>	-	<b>(360,000)</b>
Transfer from retained earnings	-	-	<b>55,362</b>	<b>(55,362)</b>	-	-	-
At 31 December 2023	<b>2,000,000</b>	<b>1,988,060</b>	<b>281,120</b>	<b>1,655,775</b>	<b>5,924,955</b>	<b>127,061</b>	<b>6,052,016</b>

# Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>713,591</b>	1,041,521
Adjustments for:			
Finance costs	7	<b>68,284</b>	95,739
Share of profits and losses of an associate and joint ventures		<b>(39,174)</b>	(12,706)
Interest income from financial assets measured at amortised cost	5, 6	<b>(24,595)</b>	–
Interest income from financial assets at fair value through profit or loss	5, 6	<b>(12,727)</b>	(8,324)
Fair value gains from financial assets at fair value through profit or loss	5, 6	<b>(796)</b>	(4,873)
Bank interest income	5, 6	<b>(26,634)</b>	(36,786)
Gain on disposal of items of property, plant and equipment	6	<b>(309)</b>	(284)
Depreciation of property, plant and equipment	6	<b>55,269</b>	55,910
Depreciation of investment properties	6, 14	<b>943</b>	914
Depreciation of right-of-use assets	6, 15	<b>4,958</b>	4,748
Amortisation of intangible assets	6, 16	<b>222,764</b>	239,108
Impairment of property, plant and equipment	6, 13	<b>12,633</b>	–
Impairment of investment properties	6, 14	<b>3,062</b>	–
Impairment of trade receivables	6, 20	<b>6,253</b>	8,803
Impairment of contract assets	6, 22	<b>6,653</b>	1,233
Impairment (reversed)/provided of prepayments and other receivables	6, 21	<b>(83)</b>	16
Impairment of inventories to net realisable value		<b>446</b>	–
Foreign exchange differences, net	6	<b>2,529</b>	3,874
Increase in inventories		<b>(26,839)</b>	(13,438)
Increase in trade and bills receivables		<b>(79,026)</b>	(295,213)
Increase in contract assets		<b>(217,075)</b>	(13,111)
Decrease/(increase) in prepayments, other receivables and other assets		<b>158,740</b>	(197,796)
Increase in trade and bills payables		<b>402,501</b>	30,659
(Decrease)/increase in other payables and accruals		<b>(100,922)</b>	105,797
Decrease in provisions		<b>(11,860)</b>	(40,776)
Increase in deferred income		<b>2,535</b>	2,462
Increase in restricted cash		<b>(1,695)</b>	(609)
Cash generated from operations		<b>1,119,426</b>	966,868
Interest received		<b>10,126</b>	26,528
Income tax paid		<b>(165,250)</b>	(262,917)
Net cash flows from operating activities		<b>964,302</b>	730,479

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## Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2023

Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment, intangible assets and right-of-use assets	(4,431,731)	(1,492,386)
Proceeds from disposal of items of property, plant and equipment	1,532	484
Purchases of financial assets at amortised cost	(680,000)	–
Purchases of financial assets at fair value through profit or loss	(1,340,000)	(2,200,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,140,000	1,200,000
Investment in a joint venture	–	(261,000)
Investment in an associate	(8,000)	–
Dividends received from an associate and joint ventures	24,675	7,892
Interest received from financial assets at amortised cost	17,379	–
Interest received from financial assets at fair value through profit or loss	17,825	8,823
Purchase of deposits	(40,000)	(400,000)
Other payments relating to investing activities	–	(3,891)
Net cash flows used in investing activities	(4,298,320)	(3,140,078)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions of interest-bearing bank and other borrowings	3,688,042	1,553,995
Proceeds from issuance of perpetual bonds	173,755	1,795,627
Repayment of interest-bearing bank and other borrowings	(352,325)	(365,852)
Principal portion of lease payments	(3,353)	(3,106)
Interest portion of lease payments	(3,395)	(3,534)
Interest paid of in relation to interest-bearing bank and other borrowings	(63,195)	(90,096)
Dividends paid	(360,000)	(360,000)
Interest paid of perpetual bonds	(23,632)	–
Other financing activities	–	(21,431)
Net cash flows from financing activities	3,055,897	2,505,603
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	679,607	587,477
Effect of foreign exchange rate changes, net	(2,529)	(3,874)
CASH AND CASH EQUIVALENTS AT END OF YEAR	398,957	679,607

## Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	24	<b>398,957</b>	677,084
Time deposits	24	–	2,523
<hr/>			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	<b>398,957</b>	679,607
<hr/>			
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>398,957</b>	679,607

# Notes to Financial Statements

*Year ended 31 December 2023*

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

Pursuant to a transfer agreement (the “Transfer Agreement”) entered into between the Company and Qilu Transportation Development Group Company Limited (“Qilu Transportation”) on 2 June 2020, the Company acquired the toll collection rights of Deshang Expressway and Shennan Expressway from Qilu Transportation. The Company engages in the maintenance, operation and management of Deshang Expressway and Shennan Expressway in Shandong Province in the PRC, and is entitled to toll collection from vehicles passing through Deshang Expressway and Shennan Expressway from 1 January 2020 to 15 November 2040 and 27 September 2043 respectively.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

In the opinion of the directors, the ultimate holding company of the Company is Shandong Hi-Speed Group Company Limited (“Shandong Hi-Speed Group”).

Shandong Hi-Speed Group was established in Jinan, Shandong Province, the PRC and is owned by the State-owned Assets Supervision and Administration Commission of the Shandong Provincial Government.

#### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shandong Shunguang Industrial Development Co., Ltd. * (山東舜廣實業發展有限公司) ("Shunguang Industrial")	PRC/Chinese Mainland	RMB100,000,000	100	–	Outdoor advertising production and distribution, and sale of materials for construction
Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司) ("Qilu Hong Kong")	Hong Kong	HKD10,000,000	100	–	Construction, maintenance, and operation of expressways
Shandong Gangtong Construction Company Limited* (山東港通建設有限公司) ("Shandong Gangtong")	PRC/Chinese Mainland	RMB120,000,000	100	–	Construction contracting

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

#### Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qilu Expressway (Shandong) Investment Management Company Limited* (齊魯高速(山東)投資管理有限公司) ("Qilu Expressway Investment")	PRC/Chinese Mainland	RMB500,000,000	100	–	Investment activity and management consulting
Qilu Expressway (Shandong) Assembly Company Limited* (齊魯高速(山東)裝配有限公司) ("Qilu Assembly")	PRC/Chinese Mainland	RMB500,000,000	31	29	Sale of materials for construction

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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

##### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### Basis of consolidation (continued)

- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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>

The nature and the impact of the new and 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

- (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.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 29 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (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. 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 Financial Statements (Continued)

Year ended 31 December 2023

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

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>1</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")<sup>1, 4</sup></i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")<sup>1, 4</sup></i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements<sup>1</sup></i>
Amendments to HKAS 21	<i>Lack of Exchangeability<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

## Notes to Financial Statements (Continued)

*Year ended 31 December 2023*

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

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Investment in an associate and a joint venture

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Fair value measurement

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Impairment of non-financial assets

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

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

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

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Related parties

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

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

or

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows as follows:

Buildings	5 to 40 years
Ancillary equipment	10 years
Machinery, expressway property and electronic equipment	3 to 20 years
Motor vehicles	4 to 8 years
Office and other equipment	1 to 13 years

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Investment properties

Investment properties are interests in buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line method to write off the cost of each investment property over its estimated useful life of 27 years.

A transfer should be made from property, plant and equipment to investment properties when owner-occupation ceases. A transfer should be made from investment properties to property, plant and equipment at the commencement of owner-occupation.

#### Intangible assets (other than goodwill)

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

#### *Service concession arrangements*

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The amortisation of concession intangible assets is calculated based on the share of traffic volume in a particular period over the projected total traffic volume throughout the remaining periods for which the Group is granted the right to operate those concession intangible assets.

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. During the concession periods, the Group is required by the respective Concession Arrangements and Transfer Agreement to maintain the concession intangible assets in specific conditions. At the end of the concession period, the Group is required to return the concession intangible assets to the Grantor. The Group does not have rights to receive any assets at the end of the concession period.

##### *Software*

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

##### *Mining rights*

Mining rights are amortised within economically recoverable reserves by the production method. Economically recoverable reserves are based on relevant mine standards estimated reserves estimate.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Leases

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

#### *Group as a lessee*

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

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

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

Leasehold land	20 to 50 years
Buildings	2 to 6 years

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Leases (continued)

##### *Group as a lessee (continued)*

(b) Lease liabilities

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

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

##### *Group as a lessor*

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

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

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



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets

##### *Initial recognition and measurement*

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

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

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

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

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

##### *Subsequent measurement*

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

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

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

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

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Derecognition of financial assets

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

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

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

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

#### Impairment of financial assets

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Impairment of financial assets (continued)

##### *General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Impairment of financial assets (continued)

##### *Simplified approach*

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

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and interest-bearing bank and other borrowings and lease liabilities.

##### *Subsequent measurement*

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

##### *Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials, direct labour, an appropriate proportion of overheads, purchase cost, processing cost and other cost. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## Notes to Financial Statements (Continued)

*Year ended 31 December 2023*

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition (continued)

##### *Revenue from contracts with customers (continued)*

(a) Provision of road operation services

Revenue from the provision of road operation services is recognised when the vehicles pass through the expressway and the Group has received the payment or has the right to receive payment.

(b) Provision of construction and upgrade services of expressways

Revenue from construction and upgrade services provided under the Concession Arrangements is measured at fair value of the consideration paid or payable. The consideration represents the rights to attain an intangible asset. The revenue is recognised over time, using an input method to measure progress towards completion satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of construction contracting services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(d) Sale of industrial products

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition (continued)

##### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional, excluding service concession arrangements. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Employee benefits

##### *Defined contribution pension schemes*

Each company of the Group contributes on a monthly basis to defined contribution pension schemes in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions pension schemes are charged to profit or loss as they become payable to the schemes. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

As stipulated by the laws and regulations in the PRC, the Group contributes to the state-sponsored retirement scheme for its employee in the PRC (i.e. pension insurance). The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of such relevant income since May 2019, subject to certain ceiling. The Group has been exempted from pension insurance due to the impact of COVID-19 from 1 February to 31 December 2020. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

In addition to the government-sponsored defined contribution pension scheme, the Group operates an additional employee pension scheme. All employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

##### *Housing fund*

According to the relevant rules and regulations of the Shandong Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

#### Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Judgements (continued)

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### *Measuring progress of construction and upgrade services provided*

The Group recognises revenue from construction and upgrade services provided in accordance with HKFRS 15 Revenue from Contracts with Customers. The Group recognises construction and upgrade revenue on the basis of the costs incurred to satisfy the performance obligation relative to the total expected costs incurred to the satisfaction of that performance obligation of construction and upgrade service work, which requires estimation to be made by management. The total expected costs and the corresponding contract revenue are estimated by management.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### *Provision for maintenance obligations*

The Group has contractual obligations under the Concession Arrangements and the Transfer Agreement to maintain the toll road infrastructure to a specified performance of serviceability during the concession periods and at the end of the concession periods. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

In determining such provision, management has estimated the expected costs to maintain and resurface the infrastructure to a specified performance of serviceability by reference to the evaluation performed by internal technicians.

The internal technicians, based on their factual findings on the physical condition of the toll road infrastructure as at the reporting period end, performed their evaluation according to the relevant government or industry specifications as set out in the standards issued by the regulator, to derive the proposed maintenance activities. Management has estimated the relevant maintenance and resurfacing costs according to the proposed maintenance activities, by reference to management's maintenance plan and the Group's historical costs incurred for similar activities.

##### *Useful lives of items of property, plant and equipment*

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

##### *Amortisation of service concession arrangements*

The amortisation of service concession arrangements is based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road networks within the same area.

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



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### *Deferred tax assets and income tax*

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections at the end of the reporting period. If the final assumptions and profit were to be different from management's current estimates, the Group would account for the change prospectively.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

##### *Provision for expected credit losses on trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the financial statements, respectively.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## Notes to Financial Statements (Continued)

*Year ended 31 December 2023*

### 4. OPERATING SEGMENT INFORMATION

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.

The chief operating decision-maker reviews the performance of the Group as a whole. In addition, all of the Group's operations are located in PRC. Accordingly, the Group has only one single reportable operating segment and no discrete operating segment financial information is available, other than the entity-wide disclosures.

#### **Geographical information**

All of the Group's external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no further geographical information is presented.

#### **Information about major customers**

During the years ended 31 December 2023, no revenue (excluding revenue from construction and upgrade services) derived from a single customer accounted for 10% or more of the Group's total revenue (2022: nil).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers</i>	<b>5,606,528</b>	2,926,631
<i>Revenue from other sources</i>		
Rental income*	<b>2,301</b>	4,663
<b>Total</b>	<b>5,608,829</b>	2,931,294

\* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB1,468,000 and fixed payments of RMB833,000 during the year ended 31 December 2023.

#### Revenue from contracts with customers

(a) *Disaggregated revenue information*

**For the year ended 31 December 2023**

	Expressway RMB'000	Construction and others RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Expressway	<b>1,144,716</b>	–	<b>1,144,716</b>
Construction and others	–	<b>4,461,812</b>	<b>4,461,812</b>
<b>Total</b>	<b>1,144,716</b>	<b>4,461,812</b>	<b>5,606,528</b>
<b>Timing of revenue recognition</b>			
At a point in time	<b>1,144,716</b>	<b>2,826</b>	<b>1,147,542</b>
Over time	–	<b>4,458,986</b>	<b>4,458,986</b>
<b>Total</b>	<b>1,144,716</b>	<b>4,461,812</b>	<b>5,606,528</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2022

	Expressway RMB'000	Construction and others RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Expressway	1,559,161	–	1,559,161
Construction and others	–	1,367,470	1,367,470
Total	1,559,161	1,367,470	2,926,631
<b>Timing of revenue recognition</b>			
At a point in time	1,559,161	275,636	1,834,797
Services transferred over time	–	1,091,834	1,091,834
Total	1,559,161	1,367,470	2,926,631

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 RMB'000	2022 RMB'000
Construction and other business	137,967	28

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

*Expressway business*

Revenue from the expressway business represents toll income and is recognised when the vehicles through the expressway and the Group receives the payment or has the right to receive payment.

*Construction business*

The performance obligation is satisfied over time as construction services are rendered when the Group's performance creates and enhances an asset that the customer controls where the construction and upgrade services are performed.

*Sale of industrial products*

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (b) Performance obligations (continued)

##### Sale of industrial products (continued)

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

	2023 RMB'000	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	6,053,998	5,544,202
After one year	7,022,393	12,036,132
Total	<b>13,076,391</b>	17,580,334

##### (c) Other income and gains

	2023 RMB'000	2022 RMB'000
Bank interest income	26,634	36,786
Interest income from financial assets at fair value through profit or loss	12,727	8,324
Interest income from financial assets measured at amortised cost	24,595	–
Changes in fair value from financial assets at fair value through profit or loss	796	4,873
Compensation income for road damages	2,894	4,105
Government grants	–	1,193
Others	3,808	1,115
Total other income and gains	<b>71,454</b>	56,396

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Construction and inventories costs		4,353,371	1,342,918
Employee benefit expense (including directors' and chief executive's remuneration (note 8):			
Wages, salaries and allowances, social security and benefits		160,618	136,470
Defined contribution pension schemes		23,011	18,558
Other staff benefits		12,836	11,120
		196,465	166,148
Depreciation in respect of:			
– property, plant and equipment	13	56,200	56,431
Less: capitalisation		(931)	(521)
– investment properties	14	943	914
– right-of-use assets	15	4,958	4,748
Amortisation of intangible assets in respect of:			
– service concession arrangements	16	220,923	237,628
– software	16	1,032	1,480
– mining rights	16	809	–
Gain on disposal of items of property, plant and equipment		(309)	(284)
Impairment of trade receivables	20	6,253	8,803
Impairment (reversed)/provided of financial assets included in prepayments and other receivables	21	(83)	16
Impairment of contract assets	22	6,653	1,233
Impairment of investment properties	14	3,062	–
Impairment of property, plant and equipment	13	12,633	–
Impairment of inventories to net realisable value		446	–
Auditor's remuneration		1,560	1,560
Foreign exchange differences, net		2,529	3,874
Interest income from financial assets at fair value through profit or loss	5	(12,727)	(8,324)
Fair value gains from financial assets at fair value through profit or loss	5	(796)	(4,873)
Interest income from financial assets measured at amortised cost	5	(24,595)	–
Bank interest income	5	(26,634)	(36,786)



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on interest-bearing bank and other borrowings	<b>64,889</b>	91,099
Interest on lease liabilities (note 15(b))	<b>3,395</b>	3,534
Accreted interest on amounts due to Shandong Hi-Speed Group	–	1,106
Total	<b>68,284</b>	95,739

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Fees	<b>771</b>	720
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,165</b>	1,776
Performance related bonuses	<b>4,151</b>	3,690
Defined contribution pension schemes	<b>696</b>	500
Subtotal	<b>7,012</b>	5,966
Total	<b>7,783</b>	6,686

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Notes	Performance				Total RMB'000
		Fees RMB'000	Wages and salaries RMB'000	related bonuses RMB'000	Welfare expenses RMB'000	
2023						
<i>Chairman of the board:</i>						
Mr. Zhenjiang Wang		-	175	987	-	1,162
<i>Executive directors:</i>						
Mr. Hui Peng		-	175	987	-	1,162
Mr. Qiang Liu		-	128	759	-	887
Subtotal		-	303	1,746	-	2,049
<i>Non-executive directors:</i>						
Mr. Dalong Chen	xvi	-	-	-	-	-
Mr. Shaochen Wang	xvii	-	-	-	-	-
Mr. Xiaodong Su		-	-	-	-	-
Mr. Jinglei Shi		-	-	-	-	-
Mr. Genyu Zhou	xviii	-	-	-	-	-
Ms. Xia Kong		-	-	-	-	-
Mr. Zhongming Du		-	-	-	-	-
Mr. Gang Wang	i	-	-	-	-	-
Mr. Xianghui Ma	ii	-	-	-	-	-
Mr. Jian Kang	iii	-	-	-	-	-
Subtotal		-	-	-	-	-
<i>Chairmen of the board of supervisors:</i>						
Ms. Xin Meng	iv	-	-	-	-	-
Mr. Shenan Wang	v	-	-	-	-	-
Subtotal		-	-	-	-	-

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Performance				Total RMB'000
		Fees RMB'000	Wages and salaries RMB'000	related bonuses RMB'000	Welfare expenses RMB'000	
<i>Supervisors:</i>						
Mr. Yongfu Wu		-	-	-	-	-
Mr. Yin Zhang		-	-	-	-	-
Mr. Shun Wang	vi	-	101	490	-	591
Mr. Junjie Dong	vii	-	132	290	3	425
Mr. Dehong Hao		-	128	319	3	450
Ms. Qinghong Hou		-	120	319	3	442
Mr. Ruzhi Li	viii	69	-	-	-	69
Mr. Ensheng Dong	ix	51	-	-	-	51
Mr. Qinghui Meng		120	-	-	-	120
Subtotal		240	481	1,418	9	2,148
<i>Independent non-executive directors:</i>						
Mr. Xuezhao Cheng	x	69	-	-	-	69
Mr. Hua Li	xi	-	-	-	-	-
Mr. Lingfang Wang		120	-	-	-	120
Mr. Jiale He		120	-	-	-	120
Mr. Hongwei Liu	xii	51	-	-	-	51
Mr. Ping Leng	xiii	51	-	-	-	51
Ms. Chen Shen	xiv	51	-	-	-	51
Mr. Ping Han	xv	69	-	-	-	69
Subtotal		531	-	-	-	531
Total		771	959	4,151	9	5,890

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
2022						
<i>Chairman of the board:</i>						
Mr. Zhenjiang Wang		-	168	987	-	1,155
<i>Executive directors:</i>						
Mr. Hui Peng		-	167	987	-	1,154
Mr. Qiang Liu		-	126	753	-	879
Subtotal		-	293	1,740	-	2,033
<i>Non-executive directors:</i>						
Mr. Dalong Chen	xvi	-	-	-	-	-
Mr. Shaochen Wang	xvii	-	-	-	-	-
Mr. Xiaodong Su		-	-	-	-	-
Mr. Jinglei Shi		-	-	-	-	-
Mr. Haolai Tang		-	-	-	-	-
Mr. Cenyu Zhou	xviii	-	-	-	-	-
Ms. Xia Kong		-	-	-	-	-
Mr. Zhongming Du		-	-	-	-	-
Subtotal		-	-	-	-	-
<i>Chairman of the board of supervisors:</i>						
Ms. Xin Meng	iv	-	-	-	-	-

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
<i>Supervisors:</i>						
Mr. Yongfu Wu		-	-	-	-	-
Mr. Yin Zhang		-	-	-	-	-
Mr. Shun Wang	vi	-	91	445	-	536
Mr. Dehong Hao		-	115	259	3	377
Ms. -Qinghong Hou		-	111	259	3	373
Mr. Ruzhi Li	viii	120	-	-	-	120
Mr. Qinghui Meng		120	-	-	-	120
Subtotal		240	317	963	6	1,526
<i>Independent non-executive directors:</i>						
Mr. Xuezhao Cheng	x	120	-	-	-	120
Mr. Hua Li	xi	-	-	-	-	-
Mr. Lingfang Wang		120	-	-	-	120
Mr. Jiale He		120	-	-	-	120
Mr. Ping Han	xv	120	-	-	-	120
Subtotal		480	-	-	-	480
Total		720	778	3,690	6	5,194

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

## 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2023					
<i>Chairman of the board:</i>					
Mr. Zhenjiang Wang		89	113	118	320
<i>Executive directors:</i>					
Mr. Hui Peng		89	113	118	320
Mr. Qiang Liu		88	98	119	305
Subtotal		177	211	237	625
<i>Non-executive directors:</i>					
Mr. Dalong Chen	xvi	-	-	-	-
Mr. Shaochen Wang	xvii	-	-	-	-
Mr. Xiaodong Su		-	-	-	-
Mr. Jinglei Shi		-	-	-	-
Mr. Cenyu Zhou	xviii	-	-	-	-
Ms. Xia Kong		-	-	-	-
Mr. Zhongming Du		-	-	-	-
Mr. Gang Wang	i	-	-	-	-
Mr. Xianghui Ma	ii	-	-	-	-
Mr. Jian Kang	iii	-	-	-	-
Subtotal		-	-	-	-
<i>Chairmen of the board of supervisors:</i>					
Ms. Xin Meng	iv	-	-	-	-
Mr. Shenan Wang	v	-	-	-	-
Subtotal		-	-	-	-

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff <i>RMB'000</i>	Social security and housing fund contributed by Company <i>RMB'000</i>	Defined contribution pension schemes <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Supervisors:</i>					
Mr. Yongfu Wu		-	-	-	-
Mr. Yin Zhang		-	-	-	-
Mr. Shun Wang	vi	83	79	97	259
Mr. Junjie Dong	vii	78	68	80	226
Mr. Dehong Hao		80	70	82	232
Ms. Qinghong Hou		79	70	82	231
Mr. Ruzhi Li	viii	-	-	-	-
Mr. Ensheng Dong	ix	-	-	-	-
Mr. Qinghui Meng		-	-	-	-
Subtotal		320	287	341	948
<i>Independent non-executive directors:</i>					
Mr. Xuezhao Cheng	x	-	-	-	-
Mr. Hua Li	xi	-	-	-	-
Mr. Lingfang Wang		-	-	-	-
Mr. Jiale He		-	-	-	-
Mr. Hongwei Liu	xii	-	-	-	-
Mr. Ping Leng	xiii	-	-	-	-
Ms. Chen Shen	xiv	-	-	-	-
Mr. Ping Han	xv	-	-	-	-
Subtotal		-	-	-	-
Total		586	611	696	1,893

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

## 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2022					
<i>Chairman of the board:</i>					
Mr. Zhenjiang Wang		80	108	100	288
<i>Executive directors:</i>					
Mr. Hui Peng		81	108	100	289
Mr. Qiang Liu		79	95	96	270
Subtotal		160	203	196	559
<i>Non-executive directors:</i>					
Mr. Dalong Chen	xvi	-	-	-	-
Mr. Shaochen Wang	xvii	-	-	-	-
Mr. Xiaodong Su		-	-	-	-
Mr. Jinglei Shi		-	-	-	-
Mr. Haolai Tang		-	-	-	-
Mr. Cenyu Zhou	xviii	-	-	-	-
Ms. Xia Kong		-	-	-	-
Mr. Zhongming Du		-	-	-	-
Subtotal		-	-	-	-
<i>Chairman of the board of supervisors:</i>					
Ms. Xin Meng	iv	-	-	-	-
<i>Supervisors:</i>					
Mr. Yongfu Wu		-	-	-	-
Mr. Yin Zhang		-	-	-	-
Mr. Shun Wang	vi	66	72	63	201
Mr. Dehong Hao		73	79	70	222
Ms. -Qinghong Hou		73	78	71	222
Mr. Ruzhi Li	viii	-	-	-	-
Mr. Qinghui Meng		-	-	-	-
Subtotal		212	229	204	645



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
<i>Independent non-executive directors:</i>					
Mr. Xuezhao Cheng	x	-	-	-	-
Mr. Hua Li	xi	-	-	-	-
Mr. Lingfang Wang		-	-	-	-
Mr. Jiale He		-	-	-	-
Mr. Ping Han	xv	-	-	-	-
Subtotal		-	-	-	-
Total		452	540	500	1,492

Notes:

- (i) Mr. Gang Wang was appointed as a non-executive director on 27 June 2023.
- (ii) Mr. Xianghui Ma was appointed as a non-executive director on 27 June 2023.
- (iii) Mr. Jian Kang was appointed as a non-executive director on 27 June 2023.
- (iv) Ms. Xin Meng retired as a supervisor on 27 June 2023.
- (v) Mr. Shenan Wang was appointed as a supervisor on 27 June 2023.
- (vi) Mr. Shun Wang retired as an employee supervisor on 19 May 2023.
- (vii) Mr. Junjie Dong was retired as a supervisor on 19 May 2023.
- (viii) Mr. Ruzhi Li retired as a supervisor on 27 June 2023.
- (ix) Mr. Ensheng Dong was appointed as a supervisor on 19 May 2023.
- (x) Mr. Xuezhao Cheng ceased to be an independent non-executive director on 27 June 2023.
- (xi) Mr. Hua Li resigned as an independent non-executive director on 27 June 2023.
- (xii) Mr. Hongwei Liu was appointed as an independent non-executive director on 27 June 2023.
- (xiii) Mr. Ping Leng was appointed as an independent non-executive director on 27 June 2023.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes: (continued)

(xiv) Ms. Chen Shen was appointed as an independent non-executive director on 27 June 2023.

(xv) Mr. Ping Han retired as an independent non-executive director on 27 June 2023.

(xvi) Mr. Dalong Chen retired as a non-executive director on 27 June 2023.

(xvii) Mr. Shaochen Wang retired as a non-executive director on 27 June 2023.

(xviii) Mr. Cenyu Zhou retired as a non-executive director on 27 June 2023.

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	941	908
Performance related bonuses	2,282	2,259
Defined contribution pension schemes	355	287
Total	<b>3,578</b>	3,454

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

	Number of employees	
	2023	2022
HK\$1,000,001 to HK\$1,500,000	<b>3</b>	3

No emoluments were paid by the Group to any of the above non-director or non-supervisor highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 10. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2022: nil).

The provision for Chinese Mainland current income tax was based on the statutory rate of 25% (2022: 25%) of the assessable profits during the year.

	2023 RMB'000	2022 RMB'000
Current – Chinese Mainland		
Charge for the year	155,869	226,600
Prior years tax true-up	1,655	480
Deferred (note 29)	22,164	34,385
Total tax charge for the year	179,688	261,465

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	713,591	1,041,521
Tax at the statutory tax rate at 25%	178,398	260,381
Effect of different tax rate of a subsidiary	547	13
Additional deduction for research and development expenditure	(537)	–
Income not subject to tax	(452)	(774)
Expenses not deductible for tax	353	193
Tax losses not recognised	256	1,046
Tax losses utilised from previous periods	(646)	–
Prior years tax true-up	1,655	480
Others	114	126
Tax charge at the Group's effective tax rate	179,688	261,465

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 11. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Proposed final – RMB0.150 (2022: RMB0.180) per ordinary share	<b>300,000</b>	360,000

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,000,000,000 (2022: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023 (2022: nil).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery, expressway property and electronic equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2023</b>							
At 1 January 2023:							
Cost	107,948	7,218	489,868	30,358	20,815	14,991	671,198
Accumulated depreciation and impairment	(21,508)	(4,903)	(318,597)	(17,970)	(14,632)	-	(377,610)
Net carrying amount	86,440	2,315	171,271	12,388	6,183	14,991	293,588
At 1 January 2023, net of accumulated depreciation and impairment	86,440	2,315	171,271	12,388	6,183	14,991	293,588
Additions	67	-	9,086	3,303	1,278	176,565	190,299
Disposals	-	(380)	(215)	(658)	-	-	(1,253)
Depreciation provided during the year	(3,655)	(471)	(47,830)	(2,254)	(1,990)	-	(56,200)
Impairment	-	-	(12,633)	-	-	-	(12,633)
Transfers	4,192	-	4,390	-	-	(8,582)	-
At 31 December 2023, net of accumulated depreciation and impairment	87,044	1,464	124,069	12,779	5,471	182,974	413,801
At 31 December 2023:							
Cost	112,207	3,237	499,694	24,479	22,338	182,974	844,929
Accumulated depreciation and impairment	(25,163)	(1,773)	(375,625)	(11,700)	(16,867)	-	(431,128)
Net carrying amount	87,044	1,464	124,069	12,779	5,471	182,974	413,801

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery, expressway property and electronic equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2022</b>							
At 1 January 2022:							
Cost	95,498	7,218	440,135	21,148	67,945	1,540	633,484
Accumulated depreciation and impairment	(14,876)	(4,355)	(255,701)	(11,997)	(37,525)	-	(324,454)
Net carrying amount	80,622	2,863	184,434	9,151	30,420	1,540	309,030
At 1 January 2022, net of accumulated depreciation and impairment	80,622	2,863	184,434	9,151	30,420	1,540	309,030
Additions	5,463	-	12,541	3,147	961	19,686	41,798
Disposals	-	-	(42)	(157)	(1)	-	(200)
Depreciation provided during the year	(3,828)	(548)	(48,039)	(2,453)	(1,563)	-	(56,431)
Transfers	4,183	-	22,377	2,700	(23,634)	(6,235)	(609)
At 31 December 2022, net of accumulated depreciation and impairment	86,440	2,315	171,271	12,388	6,183	14,991	293,588
At 31 December 2022:							
Cost	107,948	7,218	489,868	30,358	20,815	14,991	671,198
Accumulated depreciation and impairment	(21,508)	(4,903)	(318,597)	(17,970)	(14,632)	-	(377,610)
Net carrying amount	86,440	2,315	171,271	12,388	6,183	14,991	293,588

As at 31 December 2023, the aggregate carrying value of the buildings without ownership certificates was RMB6,953,000 (2022: RMB7,471,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

The Group has determined that the current use of properties is the highest and best use at the measurement date. An impairment loss of RMB12,633,000 is recognised considering that the carrying amounts of assets exceed their recoverable amounts (2022: nil).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 14. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
At 1 January:		
Cost	25,469	23,806
Accumulated depreciation	(5,179)	(4,132)
Net carrying amount	20,290	19,674
Net of accumulated depreciation and impairment	20,290	19,674
Additions	–	921
Depreciation provided during the year	(943)	(914)
Impairment	(3,062)	–
Transfers	–	609
At 31 December, net of accumulated depreciation and impairment	16,285	20,290
At 31 December:		
Cost	25,469	25,469
Accumulated depreciation and impairment	(9,184)	(5,179)
Net carrying amount	16,285	20,290
Fair value at the end of the year	16,918	29,667

The Group's investment properties consist of 15 (2022: 15) commercial properties in Chinese Mainland. The fair value of the Group's investment properties as at 31 December 2023 of RMB16,918,000 (2022: RMB29,667,000) was estimated based on valuations performed by an external independent valuer.

The fair value measurements of the Group's investment properties are categorised within Level 3. The valuation techniques are the market approach and the discounted cash flow method and the significant inputs used in the fair value measurement are the estimated rental value, rent growth and discount rate.

The Group has determined that the current use of properties is the highest and best use at the measurement date. The amount of impairment losses recognised during the year 2023 is RMB3,062,000 for the properties considering that the fair value was lower than the carrying amount (2022: nil).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Annual payments were made to acquire the leased land from the owners with lease periods of 20 to 25 years, and ongoing payments will be made under the terms of these land leases. Lump sum payments were made upfront to acquire the land use rights with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of buildings generally have lease terms between 2 and 6 years. The Group is restricted from assigning and subleasing the leased assets outside the Group.

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

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land <i>RMB'000</i>	Buildings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2021 and 1 January 2022	72,076	1,642	73,718
Additions	25,315	636	25,951
Depreciation charge	(3,932)	(816)	(4,748)
As at 31 December 2022 and 1 January 2023	<b>93,459</b>	<b>1,462</b>	<b>94,921</b>
Additions	<b>30,879</b>	–	<b>30,879</b>
Depreciation charge	<b>(4,249)</b>	<b>(709)</b>	<b>(4,958)</b>
As at 31 December 2023	<b>120,089</b>	<b>753</b>	<b>120,842</b>



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 15. LEASES (CONTINUED)

#### The Group as a lessee (continued)

(b) *Lease liabilities*

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	73,441	75,911
New lease	–	636
Accretion of interest recognised during the year	3,395	3,534
Payments	(6,748)	(6,640)
Carrying amount at 31 December	70,088	73,441
Analysed into:		
Current portion	2,903	3,235
Non-current portion	67,185	70,206

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	3,395	3,534
Depreciation charge of right-of-use assets	4,958	4,748
Total amount recognised in profit or loss	8,353	8,282

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 15. LEASES (CONTINUED)

#### The Group as a lessor

The Group leases its investment properties (note 14) consisting of 15 (2022: 15) commercial properties in Chinese Mainland and advertisement billboards and telecommunication cable pipes under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,301,000 (2022: RMB4,663,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	322	1,463
After one year but within two years	389	339
After two years but within three years	147	163
After three years but within four years	147	23
After four years but within five years	74	–
Total	1,079	1,988

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 16. INTANGIBLE ASSETS

	Service concession arrangements RMB'000	Software RMB'000	Mining rights RMB'000	Total RMB'000
<b>31 December 2023</b>				
Cost at 1 January 2023, net of accumulated amortisation	6,205,373	2,411	96,490	6,304,274
Additions	4,488,609	216	–	4,488,825
Amortisation provided during the year	(220,923)	(1,032)	(809)	(222,764)
At 31 December 2023	<b>10,473,059</b>	<b>1,595</b>	<b>95,681</b>	<b>10,570,335</b>
At 31 December 2023:				
Cost	14,148,389	8,568	96,490	14,253,447
Accumulated amortisation and impairment	(3,675,330)	(6,973)	(809)	(3,683,112)
Net carrying amount	<b>10,473,059</b>	<b>1,595</b>	<b>95,681</b>	<b>10,570,335</b>
<b>31 December 2022</b>				
Cost at 1 January 2022, net of accumulated amortisation	5,372,630	3,618	–	5,376,248
Additions	1,070,371	273	96,490	1,167,134
Amortisation provided during the year	(237,628)	(1,480)	–	(239,108)
At 31 December 2022	6,205,373	2,411	96,490	6,304,274
At 31 December 2022:				
Cost	9,659,780	8,352	96,490	9,764,622
Accumulated amortisation and impairment	(3,454,407)	(5,941)	–	(3,460,348)
Net carrying amount	6,205,373	2,411	96,490	6,304,274

## Notes to Financial Statements (Continued)

*Year ended 31 December 2023*

### **16. INTANGIBLE ASSETS (CONTINUED)**

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

During the year, the Jihe Expressway reconstruction and expansion project was in the construction stage. All construction works were sub-contracted to third-party subcontractors.

The operating rights pertaining to Deshang Expressway and Shennan Expressway of the Group were pledged to secure a bank loan being granted to the Group (note 27). As at 31 December 2023, the net carrying amount of such operating rights was approximately RMB2,857,070,000 (2022: RMB2,978,284,000).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 17. INVESTMENT IN JOINT VENTURE

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Share of net assets	–	261,002

Note:

- (a) In 2022, Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership) (“Jinan Yingtong”), which was invested by Qilu Expressway Investment (the wholly owned subsidiary of the Group) with 99.99 percentage of equity and Shandong Huaying Equity Investment Management Co., Ltd. with 0.01 percentage of equity, invested RMB261,000,000 in Zibo Hengda Investment Partnership Enterprise (Limited Partnership) (“Zibo Hengda”) with 33.29 percentage of equity. In 2023, Jinan Yingtong disposed its investment in Zibo Hengda with RMB273,597,000.

The following table illustrates the aggregate financial information of the Group’s joint venture that are not individually material:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Share of the joint venture’s profit for the year	<b>13,951</b>	1,715
Share of the joint venture’s total comprehensive income	<b>13,951</b>	1,715
Carrying amount of the Group’s investment in the joint venture	–	261,002

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 18. INVESTMENT IN AN ASSOCIATE

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Share of net assets	<b>23,455</b>	24,434

The Group's other receivable, trade payable and other payable with the associate is disclosed in note 36 to the financial statements.

Particular of the Group's associate is as follows:

Name	Particulars of capital invested <i>RMB'000</i>	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Jinan Xinyue New Road Material Research and Development Co., Ltd.	Subscribed capital of 20,000	PRC/ Chinese Mainland	40	Material research and development

The Group's shareholdings in Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Xinyue Material") is held through a wholly-owned subsidiary of the Company.

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

Xinyue Material is a strategic partner of the Group engaged in the research and development of materials used for road maintenance and construction and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Xinyue Material adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Current assets	<b>52,379</b>	51,943
Non-current assets	<b>25,170</b>	29,101
Current liabilities	<b>(19,293)</b>	(19,958)
Net assets	<b>58,256</b>	61,086
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>40%</b>	40%
Group's share of net assets of the associate	<b>23,455</b>	24,434
Carrying amount of the investment	<b>23,455</b>	24,434

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	<b>44,555</b>	38,258
Profit for the year	<b>4,519</b>	7,742
Total comprehensive income for the year	<b>4,519</b>	7,742
Share of the associate's profit for the year	<b>1,808</b>	3,097

### 19. INVENTORIES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	<b>25,508</b>	12,220
Finished goods	<b>18,686</b>	4,333
Materials in transit	–	802
Less: write-down of inventories to net realisable value	<b>(446)</b>	–
Net carrying amount	<b>43,748</b>	17,355

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 20. TRADE AND BILLS RECEIVABLES

Trade and bills receivables are analysed by category as follows:

	2023 RMB'000	2022 RMB'000
Trade receivables	484,305	431,871
Impairment	(21,181)	(14,928)
Trade receivables, net	463,124	416,943
Bills receivable	28,792	2,200
Net carrying amount	491,916	419,143

Trade receivables mainly consist of receivables from construction contracting, sale of industrial products and toll road income receivables from the Shandong Transport Department for the uncollected expressway income as at the relevant year end.

For receivables from construction contracting, the payment terms of contract work receivables are stipulated in the relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months or agreed-upon terms.

Trade receivables from sale of industrial products are expected to be settled within one month (2022: within one month).

Toll road income receivables from the Shandong Transport Department are expected to be settled within one month (2022: within one month).

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables from sale of industrial products and toll road income are non-interest-bearing, and trade receivables from construction contracting are interest-bearing.



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 20. TRADE AND BILLS RECEIVABLES (CONTINUED)

An 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:

	2023 RMB'000	2022 RMB'000
Within one year	360,118	301,971
One to two years	6,855	77,158
Two to three years	74,362	37,814
Over three years	21,789	–
<b>Total</b>	<b>463,124</b>	<b>416,943</b>

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

	2023 RMB'000	2022 RMB'000
At beginning of year	14,928	6,125
Impairment losses, net (note 6)	6,253	8,803
<b>At end of year</b>	<b>21,181</b>	<b>14,928</b>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group's toll road income receivables were from Shandong Transport Department and there was no past due balance. Management keeps reviewing and assessing the creditworthiness of the Group's existing customer on an ongoing basis. No expected credit losses were provided as the directors consider that the expected credit risks of toll road income receivables are minimal.

Considering the creditworthiness of the customers and for the fact of having no past business dealing in relation with construction contracting and sale of industrial products, the Group measures expected credit losses of the construction contracting receivables and sale of industrial products receivables by reference to the experiences of the same industry.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000
<i>Current portion</i>			
Prepayment to suppliers		30,544	30,818
Deposits and other receivables	(a)	289,634	22,304
Financial assets at amortised cost	(b)	147,216	–
Other assets		18,952	167,931
Impairment		(147)	(230)
Subtotal		486,199	220,823
<i>Non-current portion</i>			
Financial assets at amortised cost	(b)	540,000	–
Prepayment to suppliers and other assets		442,822	586,479
Subtotal		982,822	586,479
Total		1,469,021	807,302

The movements in provision/(reversal) for impairment of other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	230	214
(Reversal of impairment loss)/impairment loss, net (note 6)	(83)	16
At end of year	147	230

- (a) The Deposits and other receivables mainly represent with amounts receivable in relation to the disposal of associates, which is disclosed in note 17(a).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

- (b) Huamin Equity Investment Fund Management (Shenzhen) Co., Limited entered into an agreement with Qilu Expressway Investment on 19 May 2023, pursuant to which, the Group invested RMB400,000,000 in comprehensive development project of urban renewal of Zhili Street Area through Huamin Lucai (Weihai) Industry Investment Fund Partnership (Limited Partnership). The investment is accounted for as a debt investment with a fixed rate of return of 10% (inclusive of value-added tax) and the aggregate principal and interest as at 31 December 2023 amounted to RMB405,863,000, of which RMB5,863,000 will be recovered on maturity within one year.

Shandong Chuangrun Industrial Co., Ltd. and Qingdao Haike Holding Co., Ltd. entered into an agreement with Qilu Expressway Investment (the wholly owned subsidiary of the Group) on 10 November 2023, pursuant to which, the Group invested RMB280,000,000 in renewal unit construction project of Qingdao Oceanec Valley marine information industry through Jinan Chuangrunda Investment Partnership (Limited Partnership). The investment is accounted for as a debt investment with a fixed rate of return of 9.5% (inclusive of value-added tax) and the aggregate principal and interest as at 31 December 2023 amounted to RMB281,353,000, of which RMB141,353,000 will be recovered on maturity within one year.

The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2023 was 0.01% (2022: 0.5%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 22. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Contract assets arising from:		
Construction and other business	291,007	73,932
Impairment	(9,698)	(3,045)
Net carrying amount	281,309	70,887

Contract assets arising from construction and other business are initially recognised for revenue earned from the sale of industrial products and construction services as the receipt of consideration is conditional on passing third party's on-site quality testing and construction, respectively. Included in contract assets for construction services are retention receivables. Upon passing third party's on-site quality testing and completion of construction, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of the year.

During the year ended 31 December 2023, RMB6,653,000 (2022: RMB1,233,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	222,838	21,671
After one year	68,169	52,261
Total contract assets	291,007	73,932

The movements in the loss allowance for impairment of contract assets are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	3,045	1,812
Impairment losses (note 6)	6,653	1,233
At end of year	9,698	3,045

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 22. CONTRACT ASSETS (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets arising from construction and other business excluding retentions using a provision matrix:

	2023	2022
Expected credit loss rate	3%	4%
Gross carrying amount (RMB'000)	272,781	73,678
Expected credit losses (RMB'000)	9,698	3,045

### 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Structured bank deposits	200,796	1,004,873

The structured bank deposits were provided by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND LONG-TERM DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	401,261	677,693
Time deposits	465,511	412,719
Subtotal	866,772	1,090,412
Less:		
Time deposits-long-term deposits	465,511	410,196
Restricted cash	2,304	609
Cash and cash equivalents	398,957	679,607

At the end of the reporting period, cash and bank balances were denominated in RMB and HKD.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances are deposited with creditworthy banks with no recent history of default. The Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

Restricted cash are deposits for issuing bank acceptance bills.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 25. TRADE AND BILLS PAYABLES

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	<b>708,388</b>	207,331
One to two years	<b>27,838</b>	78,756
Over two years	<b>50,847</b>	25,856
<b>Total</b>	<b>787,073</b>	311,943

Included in the trade payables are amounts totalling RMB265,035,000 (2022: RMB143,355,000) due to the Group's related parties, which are repayable on credit terms similar to those offered by other similar suppliers of the Group. Further details of the purchases from these related parties are set out in note 36 to the financial statements.

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 26. OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000
Deposits received	(b)	23,593	16,000
Due to related parties (note 36(d))		64,219	72,500
Staff salaries and welfare		53,019	42,681
Other taxes and surcharge payables		13,034	29,391
Advance from customers		6,453	8,627
Other payables and accruals	(b)	60,071	14,936
Payables for purchases of long-term assets	(b)	48,709	10,396
Contract liabilities	(a)	2,780	137,967
		<b>271,878</b>	332,498
Less: Non-current portion		<b>19,172</b>	20,908
Current portion		<b>252,706</b>	311,590

Notes:

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

	2023 RMB'000	2022 RMB'000
Construction and others	2,780	137,967

Contract liabilities include advances received to deliver industrial products and render installation and construction services. The decrease in contract liabilities in 2023 was mainly due to the decrease in advances received from customers in relation to the provision of sale of industrial products at the end of the year.

- (b) Other payables are non-interest-bearing and repayable based on credit periods which are granted by each individual supplier or contractor on a case-by-case basis and are set out in the respective contracts.



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.08-3.35	2024	293,103	3.35-4.2	2023	137,572
Bank loans – unsecured	2.87-3.08	2024	252,110	2.85-3.95	2023	201,729
Other loans – unsecured	2.95	2024	477	2.85-3.05	2023	542
Total – current			545,690			339,843
Non-current:						
Bank loans – secured	3.08-3.35	2025-2032	605,426	3.35-4.2	2024-2026	893,526
Bank loans – unsecured	2.87-3.08	2025-2051	5,369,579	2.85-3.95	2024-2050	1,949,735
Other loans – unsecured	2.95	2025-2042	581,820	3.05	2024-2042	582,000
Total – non-current			6,556,825			3,425,261
Total			7,102,515			3,765,104

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	545,213	339,301
In the second year	935,714	510,184
In the third to fifth years, inclusive	1,003,506	1,325,280
Beyond five years	4,035,785	1,007,797
Subtotal	6,520,218	3,182,562
Other borrowings repayable:		
Within one year	477	542
In the second year	17,000	–
In the third to fifth years, inclusive	102,000	85,000
Beyond five years	462,820	497,000
Subtotal	582,297	582,542
Total	7,102,515	3,765,104

The Group's bank loan of approximately RMB898,529,000 (2022: RMB1,031,098,000) as at 31 December 2023 was secured by the operating rights of the Deshang Expressway and Shennan Expressway (note 16) with net carrying amount of approximately RMB2,857,070,000 (2022: RMB2,978,284,000).

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

The Group's other loans are unsecured, bear interest at 2.95% commencing on 12 December 2022 and are repayable according to the loan agreement.

At the end of the reporting period, all interest-bearing bank and other borrowings were denominated in RMB.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 28. PROVISIONS

#### 31 December 2023

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	122,992	32	123,024
Additions	16,172	–	16,172
Utilisation	(28,000)	(32)	(28,032)
At 31 December 2023	111,164	–	111,164

#### 31 December 2022

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	163,768	32	163,800
Utilisation	(40,776)	–	(40,776)
At 31 December 2022	122,992	32	123,024

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 29. DEFERRED TAX

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

#### Deferred tax assets

	Provision for maintenance and resurfacing obligations	Impairment of property, plant and equipment and investment property	Replacement of intangible assets	Accrued expenses	Lease liabilities	Provision for receivables and inventories	Losses available for offsetting against future taxable profits	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021	40,942	3,003	4,201	8	1,526	1,989	-	-	51,669
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	-	-	-	-	17,452	-	-	-	17,452
At 1 January 2022 (restated)	40,942	3,003	4,201	8	18,978	1,989	-	-	69,121
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 10)	(10,194)	(692)	(1,385)	-	(618)	2,495	299	606	(9,489)
Gross deferred tax assets at 31 December 2022 and 1 January 2023 (restated)	30,748	2,311	2,816	8	18,360	4,484	299	606	59,632
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 10)	(2,957)	3,924	(1,841)	727	(858)	3,334	1,498	643	4,470
Gross deferred tax assets at 31 December 2023	27,791	6,235	975	735	17,502	7,818	1,797	1,249	64,102

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 29. DEFERRED TAX (CONTINUED)

#### Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations <i>RMB'000</i>	Property, plant and equipment depreciation difference between accounting and tax regulations <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Fair value adjustment of financial assets at fair value through profit or loss <i>RMB'000</i>	Unrealised investment gains <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2021	69,689	–	979	–	–	70,668
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	–	–	17,452	–	–	17,452
At 1 January 2022 (restated)	69,689	–	18,431	–	–	88,120
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 10)	23,762	437	(950)	1,218	429	24,896
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 (restated)	93,451	437	17,481	1,218	429	113,016
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 10)	<b>29,078</b>	<b>154</b>	<b>(1,150)</b>	<b>(1,019)</b>	<b>(429)</b>	<b>26,634</b>
Gross deferred tax liabilities at 31 December 2023	<b>122,529</b>	<b>591</b>	<b>16,331</b>	<b>199</b>	<b>–</b>	<b>139,650</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 29. DEFERRED TAX (CONTINUED)

#### Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	<b>8,752</b>	4,081
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>84,300</b>	57,465

The Group has tax losses arising in Hong Kong of RMB3,097,000 during 2023 (2022: RMB443,000) that are not available for offsetting against future taxable profits of the company in which the losses arose because the company still had no operation activities as at 31 December 2023.

The Group has no tax losses in Chinese Mainland during 2023 (2022: RMB4,087,000).

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Tax losses not recognised as deferred assets	<b>3,540</b>	6,968

There is no income tax withholding attaching to the payment of dividends by the Company to its shareholders.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 30. SHARE CAPITAL

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Issued and fully paid	<b>2,000,000</b>	2,000,000

A summary of movements in the Company's share capital is as follows:

	<b>Number of shares in issue (Thousands)</b>	Share capital <i>RMB'000</i>
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000	2,000,000

### 31. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

On 23 March 2022, Shandong International Trust Co., Ltd. accepted an investment of the perpetual bonds of no more than RMB2.5 billion to the Company. As at 31 December 2023, the Company recorded the net amount of RMB1,988,060,000, with principle amount to RMB1,969,382,000 and profit distribution to holders amount of RMB18,678,000, after eliminated with the portion financed by a subsidiary to one investor amounting RMB173,755,000. There is no maturity date for the perpetual bonds and the holders have no right to receive a return of principal. Pursuant to the terms, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The initial interest rate of this tranche of bonds was 1.2% per annum, which will be reset once a year after six years from the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two scenarios, the Company has no rights or obligations to redeem the bonds.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 32. OTHER RESERVES

Other reserves mainly represented statutory reserves. In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the “PRC Companies”), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners as set out in their statutory financial statements to the statutory reserves until such reserves reach 50% of the registered capital. The appropriation to the reserve must be accrued before any distribution of dividends to the respective owners of the PRC Companies. The statutory reserve can be used to offset previous year’s losses, if any, and part of the statutory reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year ended 31 December 2023, the Group had no non-cash additions to right-of-use assets and lease liabilities, in respect of lease arrangements for land and buildings (2022: RMB636,000 and RMB636,000, respectively). The Group had no non-cash injection by a non-controlling shareholder (2022: RMB120,053,000, including property, plant and equipment, mining rights and leasehold land).

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

2023

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2023	3,765,104	73,441
Changes from financing cash flows	3,272,522	(6,748)
Accretion of interest recognised	–	3,395
Profit distribution to perpetual bonds	–	–
Interest expenses on interest-bearing bank and other borrowings (note 7)	64,889	–
At 31 December 2023	7,102,515	70,088



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

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

#### (b) Changes in liabilities arising from financing activities (Continued)

2022

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2022	2,575,958	75,911
New leases	–	636
Changes from financing cash flows	1,098,047	(6,640)
Accretion of interest recognised	–	3,534
Profit distribution to perpetual bonds	–	–
Interest expenses on interest-bearing bank and other borrowings (note 7)	91,099	–
At 31 December 2022	3,765,104	73,441

#### (c) Total cash outflow for leases

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within financing activities	<b>6,748</b>	6,640

### 34. CONTINGENT LIABILITIES

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 35. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Reconstruction and expansion project on the Jihe Expressway	6,641,584	10,217,292
Upgrade project on the Deshang Expressway and Shennan Expressway	50	5,274
Construction in process of Qilu Assembly	6,189	186,647
	<b>6,647,823</b>	10,409,213

### 36. RELATED PARTY TRANSACTIONS

The shareholders of the Company are Shandong Hi-Speed, COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and Guoneng Power Technology & Engineering Company Limited (國能電力技術工程有限公司), which hold approximately 38.93%, 30.00% and 6.08% of the equity interests in the Company respectively, after the IPO of the Company's H shares. The Group is a state-owned enterprise controlled by the PRC government.

In accordance with HKAS 24 (Revised) *Related Party Disclosures*, government related entities (e.g. state-owned enterprises) and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Group. A portion of the Group's business activities is conducted with other government related entities in the PRC (primarily with respect to sales of finished products, purchases of finished products and maintenance services and transactions with state-owned banks). The Group believes that these transactions are carried out on terms that are similarly and consistently applied to all other customers or suppliers.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are government related entities. The Company's directors believe that it is meaningful to disclose any significant related party transactions with these government related entities for the interest of the financial statement users, although these transactions are exempted from the disclosure requirements as set out in HKAS 24 (Revised). The Company's directors believe that information in respect of related party transactions has been adequately disclosed in the consolidated financial statements.

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Information about related parties

Name	Relationships with the Group
Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group")	<b>Ultimate holding Company</b>
Shandong Hi-Speed Company Limited ("Shandong Hi-Speed")	<b>Shareholder of the Company</b>
Guoneng Power Technology & Engineering Company Limited ("Guoneng Power")	<b>Shareholder of the Company</b>
Shandong Traffic Planning Design Institute Group Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Information Group Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Traffic Engineering Supervision Consulting Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Transportation Engineering Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Tongwei Information Engineering Co., Ltd. ("Shandong Tongwei")	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Luqiao Group Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Xinlian Technology Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Information Engineering Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Engineering Inspection Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Highway and Bridge Inspection Center Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan Car Rental Branch	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Engineering Project Management Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Shandong Hi-Speed Maintenance Group Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>
Weihai City Commercial Bank	<b>Fellow subsidiary of the Ultimate holding Company</b>
Xinyue Material	<b>An associate of Shandong Gangtong</b>
Shandong Water General Co., Ltd.	<b>Fellow subsidiary of the Ultimate holding Company</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name	Relationships with the Group
Shandong Dongfang Road and Bridge Construction Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Road and Bridge Construction Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Engineering Construction Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Smart City Service Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Expressway Engineering Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Supply Chain Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Group Co., Ltd. Weirong Branch	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Land Development Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Engineering Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Aobang Traffic Facilities Engineering Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Environmental Protection Industry Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)	A joint venture of the Ultimate holding Company
Shandong Hi-Speed Transportation Construction Group Co., Ltd. Luzhong Branch	Fellow subsidiary of the Ultimate holding Company
Shandong Zhengchen Technology Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Building Materials Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Technology Investment Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Jierui Transportation Service Development Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Material Digital Technology Co., Ltd.	Fellow subsidiary of the Ultimate holding Company

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name	Relationships with the Group
Shandong Jiaotong Construction New Material Technology Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Zhengwei Detection Technology Co.,Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed New Growth Drivers Technology Consulting Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Jiangsu Linlong New Materials Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Weifang Development Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed New Building Materials Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Transportation Equipment Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Jining Hongxiang Highway Survey Design And Research Institute Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Expressway Shuntongqiao Engineering Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Transportation Construction Group Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Construction Technology Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Road and Bridge Group Heze Construction Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Qingdao Property Management Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Qilu Electronic Tendering&Purchasing Service Co., Ltd.	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Engineering Construction Group	Fellow subsidiary of the Ultimate holding Company
Shandong Hi-Speed Road and Bridge Technology Co., Ltd.	Fellow subsidiary of the Ultimate holding Company

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
<b>Processing service income:</b>			
Fellow subsidiary of the Ultimate holding Company	(i)	4,665	2,206
Shareholder of the Company	(i)	3,700	–
An associate of Shandong Gangtong	(i)	–	2
<b>Sales of goods:</b>			
Fellow subsidiary of the Ultimate holding Company	(i)	452,551	99,957
<b>Interest income:</b>			
Weihai City Commercial Bank		124	4,229
		<b>461,040</b>	106,394
<b>Purchases of equipment:</b>			
Fellow subsidiary of the Ultimate holding Company	(i)	1,124	5,083
<b>Purchases of goods:</b>			
Fellow subsidiary of the Ultimate holding Company	(i)	379,173	7,956
An associate of Shandong Gangtong	(i)	2,268	5,100
<b>Employee service fees:</b>			
Ultimate holding Company	(ii)	39,338	31,916
Fellow subsidiary of the Ultimate holding Company		6,766	1,680
<b>Interest expenses:</b>			
Ultimate holding Company	(iii)	17,830	986
<b>Rent of land:</b>			
Ultimate holding Company		5,774	5,774
<b>Maintenance services:</b>			
Fellow subsidiary of the Ultimate holding Company		1,878	15,406

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Notes	2023 RMB'000	2022 RMB'000
<b>Design and technical service expenses:</b>		
Fellow subsidiary of the Ultimate holding Company	45,583	87,454
<b>Engineering and supervision fees:</b>		
Fellow subsidiary of the Ultimate holding Company	1,377,396	156,434
<b>Other service expenses:</b>		
Fellow subsidiary of the Ultimate holding Company	12,900	105,833
An associate of Shandong Gangtong	9,291	–
	<b>1,899,321</b>	<b>423,622</b>

Notes:

- (i) During the year, the transactions were carried out in accordance with the terms and conditions similar to those offered by third parties in the ordinary course of business.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed Group 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 RMB39,338,000 during the year (2022: RMB31,916,000).
- (iii) The interest rate of borrowings from ultimate holding company was 2.95% per annum (2022: 3.05%).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Commitments with related parties

##### As at 31 December 2023

- (i) In the Jihe expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Hi-Speed Engineering Inspection Co., Ltd. for technical study, Shandong Hi-Speed Engineering Construction Group Co., Ltd., Shandong Hi-Speed Engineering Project Management Co., Ltd., Shandong Luqiao Group Co., Ltd., Shandong Environmental Protection Industry Group Co., Ltd., Shandong Road and Bridge Construction Group Co., Ltd., and Shandong Transportation Engineering Supervision Consulting Co., Ltd. for engineering and supervision services, Shandong Traffic Planning Design Institute Group Co., Ltd. for design services, Shandong Hi-Speed Land Development Co., Ltd. for farmland index adjustment services. The fees payable will be approximately RMB10,593,000, RMB2,213,663,000, RMB33,198,000 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 Traffic Planning Design Institute Group Co., Ltd. for consultation services, and Shandong Traffic Engineering Supervision Consulting Co., Ltd., Shandong Hi-Speed Engineering Project Management Co., Ltd., Shandong Hi-Speed Engineering Construction Group, Shandong Luqiao Group Co., Ltd., Shandong Road and Bridge Construction Group Co., Ltd. for engineering and supervision services, 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 labour outsourcing services, and Shandong Traffic Planning Design Institute Group Co., Ltd. for design service, and Shandong Hi-Speed Land Development Co., Ltd. for farmland index adjustment service. The fees payables will be 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 entered an agreement 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 Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Outstanding balances with related parties

	2023 RMB'000	2022 RMB'000
<b>Deposit balance</b>		
Weihai City Commercial Bank	41,654	26,492
<b>Prepayments, other receivables and other assets</b>		
Fellow subsidiary of the Ultimate holding Company	165,961	216,451
An associate of Shandong Gangtong	302	453
	<b>166,263</b>	216,904
<b>Trade and bills receivables</b>		
Fellow subsidiary of the Ultimate holding Company	111,820	113,151
Shareholder of the Company	826	–
An associate of Shandong Gangtong	–	3
	<b>112,646</b>	113,154
<b>Contract assets</b>		
Fellow subsidiary of the Ultimate holding Company	77,801	–
<b>Trade and bills payables</b>		
Fellow subsidiary of the Ultimate holding Company	244,922	122,486
An associate of Shandong Gangtong	20,113	20,869
	<b>265,035</b>	143,355

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Outstanding balances with related parties (continued)

Note	2023 RMB'000	2022 RMB'000
<b>Other payables and advance from customers</b>		
Ultimate holding Company	36,862	42,503
Fellow subsidiary of the Ultimate holding Company	26,219	18,105
Shareholder of the Company	1,138	1,073
A joint venture of the Ultimate holding Company	–	10,819
	<b>64,219</b>	<b>72,500</b>
<b>Contract liabilities</b>		
Ultimate holding Company	183	–
Fellow subsidiary of the Ultimate holding Company	11	–
	<b>194</b>	<b>–</b>
<b>Interest-bearing bank and other borrowings</b>		
Ultimate holding Company	582,344	582,542

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 at an interest rate of 2.95% (2022: 3.05%).

Note:

- (i) As at the end of 31 December 2023, an amount of RMB21,932,000 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 (2022: RMB23,668,000).

An amount of RMB14,926,000 represented the payable for employee service fees of Deshang Expressway and Shennan Expressway (2022: RMB18,835,000).

An amount of RMB2,760,000 in relation to the lease of land and property for the year ended 31 December 2023 was paid in February 2023.

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

In addition, during the year ended 31 December 2023, the Group's bank balances and borrowings of approximately RMB267,610,000 and RMB5,884,569,000 (2022: approximately RMB234,339,000 and RMB2,342,233,000), respectively, were deposited/arranged with state-owned banks.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 36. 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 was not allowed to exceed RMB140 million. On 31 December 2023, the balance is nil. Shandong Hi-Speed Group provides the above services without charging service fees.

#### (f) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	5,046	4,522
Performance-related bonuses	9,416	8,960
Defined contribution pension schemes	1,524	1,170
Total compensation paid to key management personnel	15,986	14,652

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of note 36(b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, except for the transactions with Xinyue Material.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2023**

#### Financial assets

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills receivables	–	491,916	491,916
Financial assets included in prepayments and other receivables	–	998,134	998,134
Financial assets at fair value through profit or loss	200,796	–	200,796
Cash and cash equivalents, restricted cash and long-term deposits	–	866,772	866,772
<b>Total</b>	<b>200,796</b>	<b>2,356,822</b>	<b>2,557,618</b>

#### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	787,073
Financial liabilities included in other payables	196,592
Interest-bearing bank and other borrowings	7,102,515
Lease liabilities	70,088
<b>Total</b>	<b>8,156,268</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

#### Financial assets

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills receivables	–	419,143	419,143
Financial assets included in prepayments and other receivables	–	44,698	44,698
Financial assets at fair value through profit or loss	1,004,873	–	1,004,873
Cash and cash equivalents, restricted cash and long-term deposits	–	1,090,412	1,090,412
<b>Total</b>	<b>1,004,873</b>	<b>1,554,253</b>	<b>2,559,126</b>

#### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	311,943
Financial liabilities included in other payables	113,832
Interest-bearing bank and other borrowings	3,765,104
Lease liabilities	73,441
<b>Total</b>	<b>4,264,320</b>

## Notes to Financial Statements (Continued)

*Year ended 31 December 2023*

### **38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

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

The Group purchases wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of the unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the non-current portion of other receivables and other assets, 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 fair values approximate to their carrying amounts.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy

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

Assets measured at fair value:

#### As at 31 December 2023

	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	–	200,796	–	200,796

#### 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 as at 31 December 2023 (2022: nil)..

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: nil).

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

#### As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	5,681,405	–	5,681,405
Other payables – non-current	–	19,172	–	19,172
<b>Total</b>	<b>–</b>	<b>5,700,577</b>	<b>–</b>	<b>5,700,577</b>

#### 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 input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	3,066,437	–	3,066,437
Other payables – non-current	–	20,908	–	20,908
<b>Total</b>	<b>–</b>	<b>3,087,345</b>	<b>–</b>	<b>3,087,345</b>



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

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

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

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax <i>RMB'000</i>	(Decrease)/ increase in equity <i>RMB'000</i>
<b>2023</b>			
RMB	<b>100</b>	<b>41,359</b>	<b>(41,359)</b>
RMB	<b>(100)</b>	<b>(41,359)</b>	<b>41,359</b>
<b>2022</b>			
RMB	100	21,254	(21,254)
RMB	(100)	(21,254)	21,254

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Foreign currency risk

The Group principally operates in Chinese Mainland and RMB is the currency of the primary economic environment in which the Group operates. However, upon the initial listing of H shares, proceeds from the IPO are in HKD. Foreign exchange risk arises from cash and cash equivalents denominated in a currency other than the functional currency of the Group.

The Group currently does not have a foreign currency hedging policy and manages its foreign currency risk by closely monitoring the movements of the foreign currency rates.

As of 31 December 2023, if HKD had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's post-tax profit would have been approximately RMB68,000 higher/lower because of the cash and cash equivalents being denominated in HKD (2022: RMB79,000).

#### Credit risk

The Group's credit risk mainly arises from receivables. The carrying amounts of trade and other receivables represented the Group's maximum exposure in relation to financial assets.

Toll income from toll road operations is settled in cash and bank cards and is partially collected by the Shandong Transport Department on behalf of the Group. Since the toll income receivables are expected to be received within one month, the Company's management does not expect any loss from those receivables. Please refer to note 20 for details.

The Group trades only with recognised and creditworthy third parties for construction contracting. In addition, receivable balances are monitored on an ongoing basis.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

Except for the receivables as mentioned above, the Group does not have any significant concentration of credit risk exposure associated with a particular single counterparty or a particular group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	28,792	–	–	484,305	513,097
Financial assets included in prepayments and other receivables – Normal**	998,281	–	–	–	998,281
Cash and cash equivalents, restricted cash and long-term deposits	866,772	–	–	–	866,772
<b>Total</b>	<b>1,893,845</b>	<b>–</b>	<b>–</b>	<b>484,305</b>	<b>2,378,150</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade and bills receivables*	2,200	–	–	431,871	434,071
Financial assets included in prepayments and other receivables					
– Normal**	44,928	–	–	–	44,928
Cash and cash equivalents, restricted cash and long-term deposits	1,090,412	–	–	–	1,090,412
<b>Total</b>	<b>1,137,540</b>	<b>–</b>	<b>–</b>	<b>431,871</b>	<b>1,569,411</b>

\* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the expected credit loss rate is disclosed in note 20 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade and other receivables are disclosed in notes 20 and 21.

#### Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023				Total RMB'000
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	661,991	1,134,042	1,537,713	5,706,594	9,040,340
Trade payables	787,073	–	–	–	787,073
Other payables	170,532	2,760	8,280	15,936	197,508
Lease liabilities	6,427	6,016	17,321	72,407	102,171
<b>Total</b>	<b>1,626,023</b>	<b>1,142,818</b>	<b>1,563,314</b>	<b>5,794,937</b>	<b>10,127,092</b>

  

	2022				Total RMB'000
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	456,097	616,604	1,623,649	2,023,621	4,719,971
Trade payables	311,943	–	–	–	311,943
Other payables	92,924	2,760	8,280	18,696	122,660
Lease liabilities	6,674	6,427	17,563	78,181	108,845
<b>Total</b>	<b>867,638</b>	<b>625,791</b>	<b>1,649,492</b>	<b>2,120,498</b>	<b>5,263,419</b>

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Similar to the others in the industry, the Group monitors capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at the end of the reporting periods were as follows:

	2023 RMB'000	2022 RMB'000
Interest-bearing bank and other borrowings (note 27)	7,102,515	3,765,104
Less: cash and cash equivalents (note 24)	(398,957)	(679,607)
Net debt	6,703,558	3,085,497
Equity attributable to owners of the parent	5,924,955	5,609,572
Capital and net debt	12,628,513	8,695,069
Gearing ratio	53.08%	35.49%

### 40. EVENTS AFTER THE REPORTING PERIOD

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

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	199,108	254,956
Investment properties	16,285	20,290
Intangible assets	10,475,197	6,208,276
Right-of-use assets	65,323	69,454
Investments in subsidiaries	754,559	642,646
Long-term deposits	465,511	410,196
Prepayments and other receivables	410,376	581,481
Total non-current assets	<b>12,386,359</b>	8,187,299
<b>CURRENT ASSETS</b>		
Inventories	4,007	3,365
Trade receivables	10,917	11,294
Other current assets	12,092	4,100
Prepayments, other receivables and other assets	776,922	320,472
Financial assets at fair value through profit or loss	200,796	1,004,873
Cash and cash equivalents	202,127	556,352
Total current assets	<b>1,206,861</b>	1,900,456

## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023 RMB'000	2022 RMB'000
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	229,449	164,804
Other payables	169,710	126,064
Interest-bearing bank and other borrowings	515,977	339,843
Lease liabilities	2,823	2,917
Tax payable	–	12,645
Provisions	111,164	123,024
Total current liabilities	1,029,123	769,297
NET CURRENT LIABILITIES	177,738	1,131,159
TOTAL ASSETS LESS CURRENT LIABILITIES	12,564,097	9,318,458
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	6,380,381	3,425,261
Other payables	19,172	20,908
Lease liabilities	67,185	70,124
Deferred income	4,987	2,423
Deferred tax liabilities	84,456	57,246
Total non-current liabilities	6,556,181	3,575,962
Net assets	6,007,916	5,742,496
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	2,000,000	2,000,000
Other equity instruments	2,161,815	1,986,038
Other reserves	270,970	220,890
Retained earnings	1,575,131	1,535,568
<b>Total equity</b>	<b>6,007,916</b>	<b>5,742,496</b>



## Notes to Financial Statements (Continued)

Year ended 31 December 2023

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent				
	Share capital RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	2,000,000	–	144,248	1,222,451	3,366,699
Profit for the year	–	–	–	766,415	766,415
Total comprehensive income for the year	–	–	–	766,415	766,415
Capital invested by holders of other equity instruments – perpetual bonds	–	1,969,382	–	–	1,969,382
Profit distribution to perpetual bonds	–	16,656	–	(16,656)	–
Appropriation to statutory surplus reserve	–	–	76,642	(76,642)	–
Final 2021 dividend declared	–	–	–	(360,000)	(360,000)
At 31 December 2022 and 1 January 2023	2,000,000	1,986,038	220,890	1,535,568	5,742,496
Profit for the year	–	–	–	<b>472,463</b>	<b>472,463</b>
Total comprehensive income for the year	–	–	–	<b>472,463</b>	<b>472,463</b>
Capital invested by holders of other equity instruments-perpetual bonds	–	<b>173,755</b>	–	–	<b>173,755</b>
Perpetual bond interest paid	–	<b>(23,632)</b>	–	–	<b>(23,632)</b>
Profit distribution to perpetual bonds	–	<b>25,654</b>	–	<b>(25,654)</b>	–
Capital surplus arising from a business combination under common control	–	–	<b>2,834</b>	–	<b>2,834</b>
Appropriation to statutory surplus reserve	–	–	<b>47,246</b>	<b>(47,246)</b>	–
Final 2022 dividend declared	–	–	–	<b>(360,000)</b>	<b>(360,000)</b>
At 31 December 2023	<b>2,000,000</b>	<b>2,161,815</b>	<b>270,970</b>	<b>1,575,131</b>	<b>6,007,916</b>

### 42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board on 26 March 2024.