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Qilu Expressway Company Limited

齊魯高速公路股份有限公司

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

(Stock Code: 1576)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Qilu Expressway Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This interim results announcement, containing the full text of the 2021 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results and has been reviewed by the audit committee of the Company.

The printed version of the Company’s 2021 Interim Report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.qlcl.com in due course.

By order of the Board
Qilu Expressway Company Limited
Wang Zhenjiang
Chairman

Shandong, the PRC
26 August 2021

As at the date of this announcement, the executive Directors are Mr. Wang Zhenjiang, Mr. Peng Hui and Mr. Liu Qiang; the non-executive Directors are Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Tang Haolai and Mr. Du Zhongming; and the independent non-executive Directors are Mr. Cheng Xuezhan, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.

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Definitions

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

"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
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Changqing University Science Park Interchange Project"	the improvement project of the Company for the construction of a new interchange on the Jihe Expressway with a ramp connecting to the Changqing University Science Park. Please refer to the sub-section headed "Business – Upgrade of the Jihe Expressway" in the Prospectus for details
"Company"	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company established in the PRC with limited liability on 6 December 2016
"Company Law"	Company Law of the People's Republic of China 《中華人民共和國公司法》
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COSCO SHIPPING"	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a limited liability company incorporated in the PRC, the entire equity interest of which is held by the Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is a controlling Shareholder of the Company
"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 a controlling Shareholder of the Company
"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

Definitions (Continued)

"Deshang and Shennan Expressways Toll Collection Rights"	the toll collection rights 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 kilometres
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in RMB
"ETC"	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"Expressway Business"	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
"Global Offering"	the offer of H Shares by the Company for subscription by the public in Hong Kong and outside the United States of America in offshore transactions, details of which can be found in the Prospectus
"Group", "us" or "we"	the Company and, except where the context otherwise requires, all of its subsidiaries
"H Share(s)"	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange
"HK\$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jihe Expressway"	Jinan (濟南) to Heze (荷澤) Expressway, the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometres

Definitions (Continued)

"Jinan Xinyue"	Jinan Xinyue New Road Material Research and Development Company Limited (濟南鑫岳新型道路材料研發有限公司), a limited liability company incorporated under the laws of the PRC and an associate held by the Group through Shandong Gangtong Construction as to 40% of its equity interest
"Joint Restructuring"	the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group pursuant to the Merger Agreement
"Lending Bank(s)"	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Sub-branch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), and Huaxia Bank Co., Ltd. Huaiyin Sub-branch (華夏銀行濟南槐蔭支行), being the banks providing financing facilities for the construction projects of the Deshang and Shennan Expressways
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"pandemic"	the COVID-19 pandemic
"PRC" or "State"	the People's Republic of China, which for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering
"Qilu Transportation"	Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015 and deregistered by the PRC competent authorities upon completion of the Joint Restructuring on 16 November 2020, and a then controlling Shareholder of the Company before completion of the Joint Restructuring
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the six months ended 30 June 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Shandong 9-5-1-7 Expressway Network"	the "nine-vertical; five-traverse; one-ring and seven-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 kilometres by 2035

Definitions (Continued)

"Shandong Hi-Speed"	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.sh)
"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, holding approximately 38.93% of the total issued Shares as at the date of this report, is a controlling Shareholder of the Company
"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
"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 Transport Department"	Shandong Provincial Traffic Transport Department (山東省交通運輸廳)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	Domestic Share(s) and/or H share(s) (as the case may be)
"Shareholder(s)"	holder(s) of Share(s)
"Shennan Expressway"	an expressway running from the K150+400 point of the Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the Company Law
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Transfer Agreement"	the conditional Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》) dated 2 June 2020 and entered into between Qilu Transportation (as transferor) and the Company (as transferee) in relation to the transfer of the Deshang and Shennan Expressways Toll Collection Rights, as supplemented and amended by a supplemental agreement to the Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》之補充協議) entered into between the above parties on the same date, details of which are set out in the Acquisition Circular
"Transfer Agreement Effective Date"	the date on which the Transfer Agreement shall become effective following the fulfillment of all conditions precedent of the Transfer Agreement, being 11 August 2020
"%"	per cent

Corporate Information

REGISTERED NAME OF THE COMPANY

In Chinese: 齊魯高速公路股份有限公司

In English: Qilu Expressway Company Limited

LEGAL REPRESENTATIVE

Mr. Wang Zhenjiang

BOARD OF DIRECTORS

(1) Executive Directors

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

Mr. Peng Hui

Mr. Liu Qiang

(2) Non-executive Directors

Mr. Chen Dalong

Mr. Wang Shaochen

Mr. Zhou Cenyu

Mr. Su Xiaodong

Ms. Kong Xia

Mr. Tang Haolai

Mr. Du Zhongming

(3) Independent Non-executive Directors

Mr. Cheng Xuezhao

Mr. Li Hua

Mr. Wang Lingfang

Mr. He Jiale

Mr. Han Ping

BOARD COMMITTEES

(1) Audit Committee

Mr. He Jiale (*Chairman*)

Mr. Wang Shaochen

Mr. Li Hua

(2) Remuneration and Appraisal Committee

Mr. Li Hua (*Chairman*)

Mr. Cheng Xuezhao

Mr. Wang Lingfang

(3) Nomination Committee

Mr. Wang Zhenjiang (*Chairman*)

Mr. Cheng Xuezhao

Mr. Li Hua

Mr. Wang Lingfang

(4) Strategy Committee

Mr. Wang Zhenjiang (*Chairman*)

Mr. Peng Hui

Mr. Liu Qiang

Mr. Wang Shaochen

Mr. Li Hua

SUPERVISORY COMMITTEE

(1) Shareholder Representative Supervisors

Ms. Meng Xin (*Chairperson of the Supervisory Committee*)

Mr. Wu Yongfu

Mr. Zhang Yin

(2) Employee Supervisors

Mr. Hao Dehong

Ms. Hou Qinghong

Mr. Wang Shun

(3) Independent Supervisors

Mr. Li Ruzhi

Mr. Meng Qinghui

Corporate Information (Continued)

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young

Certified Public Accountants
Registered Public Interest Entity Auditor
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, PRC

LEGAL ADVISER AS TO HONG KONG LAW

Li & Partners

22/F, World-Wide House,
19 Des Voeux Road Central,
Central, Hong Kong

REGISTERED ADDRESS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

STOCK CODE

1576

Management Discussion and Analysis

Unless otherwise specifically stated, comparative figures of the Reporting Period have been restated pursuant to the merger accounting for business combination under common control of the Group. Details of the restatements are set out in Note 2 to the financial information in this report.

FINANCIAL REVIEW

Operations

Our principal operations comprise our Expressway Business for the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway. During the Reporting Period, our revenue comprised primarily the toll income collected from users of the above expressways.

Upon completion of the acquisition of Shandong Gangtong Construction, the Group has derived revenue from engineering services in respect of highway engineering, construction engineering and other engineering projects since April 2020. We also recorded certain service income from the leasing of pipes for communication signal transmission and advertisement billboards along the Jihe Expressway and the provision of advertisement publication services.

Revenue

During the Reporting Period, we recorded a revenue from operations of approximately RMB911,299,000, representing an increase of approximately 86.66% compared with that of approximately RMB488,216,000 in the corresponding period of last year. During the Reporting Period, toll income from the Jihe Expressway was approximately RMB617,083,000, representing an increase of approximately 97.64% compared with that of approximately RMB312,218,000 in the corresponding period of last year. Our toll income from the Deshang and Shennan Expressways was approximately RMB270,367,000, representing an increase of approximately 98.41% compared with that of approximately RMB136,266,000 in the corresponding period of last year. Traffic volume on the Jihe Expressway during the Reporting Period increased from approximately 33,000 vehicles per day during the six months ended 30 June 2020 to approximately 74,000 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) increased from approximately 29,400 vehicles per day during the six months ended 30 June 2020 to approximately 56,700 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway increased from approximately 4,700 vehicles per day during the six months ended 30 June 2020 to approximately 10,800 vehicles per day during the Reporting Period. Such increases in these toll incomes and traffic volumes were mainly attributable to the grant of toll exemption to vehicles from 17 February 2020 to 6 May 2020 for the purpose of pandemic control and prevention pursuant to the notice of the relevant PRC competent transportation authority, resulting in a significant decrease in the toll income of the Group for the same period of last year. With the pandemic effectively under control, the expressway toll income of the Group for the Reporting Period has significantly increased as compared to the same period of last year since the number of passing vehicles and the toll income resumed back to normal during the Reporting Period.

During the Reporting Period, revenue from construction business amounted to approximately RMB21,011,000, representing a decrease of approximately 43.23% compared with that of approximately RMB37,013,000 in the corresponding period of last year, which was primarily attributable to the decrease in revenue from the construction business recognised for the Changqing University Science Park Interchange Project. For details of the above project, please refer to the sub-section headed “Business Review – Construction Business” under this section.

Management Discussion and Analysis (Continued)

During the Reporting Period, we recorded a rental income of approximately RMB2,260,000, representing an increase of approximately 3.53% compared with that of approximately RMB2,183,000 in the corresponding period of last year. Such increase was mainly attributable to the increased income generated from the additional advertisement billboards. The rental income mainly represented the service income from leasing the advertisement billboards along both sides of the Jihe Expressway of approximately RMB1,630,000, and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties of approximately RMB630,000.

During the Reporting Period, our income from other services businesses amounted to approximately RMB578,000, representing an increase of approximately 7.84% compared with that of approximately RMB536,000 in the corresponding period of last year, mainly attributable to the increase in service income generated from road clearance services for traffic accidents.

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales and gross profit from our operations were approximately RMB272,706,000 and RMB638,593,000 respectively, as compared to those of approximately RMB290,050,000 and RMB198,166,000 in the corresponding period of last year, representing a decrease of approximately 5.98% and an increase of approximately 222.25% year-on-year respectively. Gross profit margin of the Group was approximately 70.08% for the Reporting Period, representing a year-on-year increase of approximately 29.49 percentage points as compared with approximately 40.59% in the corresponding period of last year. Costs of the Group mainly included amortisation of intangible assets, staff costs, maintenance costs of the Jihe Expressway and the Deshang and Shennan Expressways, and provisions. The decrease in cost of sales was mainly attributable to the reduction in construction costs of the Changqing University Science Park Interchange Project, while the increase in gross profit was mainly attributable to the growth in toll income.

Other Income and Gains

During the Reporting Period, other income and gains were approximately RMB10,547,000 (approximately RMB29,810,000 for the corresponding period of 2020), which mainly comprised gains on investment in structured deposits, bank interest income and incentive income from the government. The year-on-year decrease in other income and gains was mainly attributable to the reduction in bank interest income and receipts of government grants compared with the corresponding period of last year.

Administrative Expenses

During the Reporting Period, administrative expenses from our operations were approximately RMB29,725,000, representing a decrease of approximately 1.81% as compared to approximately RMB30,273,000 for the corresponding period of last year. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, transportation expenses and fees paid for engaging professional parties.

Impairment Losses on Contract Assets

During the Reporting Period, we recorded impairment losses on contract assets of RMB505,000 (corresponding period of 2020: nil), primarily derived from the impairment losses of the contract assets recognised on construction services provided by Shandong Gangtong Construction.

Other Expenses

During the Reporting Period, we recorded other expenses of RMB46,000 (corresponding period of 2020: nil), primarily derived from the losses on disposals of items of property, plant and equipment.

Management Discussion and Analysis (Continued)

Finance Costs

During the Reporting Period, our finance costs were approximately RMB68,437,000, representing an increase of approximately 47.62% as compared to approximately RMB46,360,000 for the corresponding period of last year, primarily attributable to the increase in the Group's finance expenses during the Reporting Period as the Group entered into the Debt Assumption Agreement and assumed the obligation of repayments and interest payments for the acquisition of the Deshang and Shennan Expressways, together with the additional bank loans of RMB1,348 million for the settlement of acquisition consideration.

Share of Loss/Profit of an Associate

During the Reporting Period, our share of loss of an associate was approximately RMB161,000 (corresponding period of 2020: profit of RMB655,000), represented the share of loss of the Group's associate in the Reporting Period using equity method of accounting. During the Reporting Period, the Company had one associate operating in the PRC, namely Jinan Xinyue, with 40% of its equity interest is held by Shandong Gangtong Construction.

Profit for the Period

During the Reporting Period, profit attributable to owners of the parent was approximately RMB407,905,000, representing an increase of approximately 278.47% as compared to that of approximately RMB107,777,000 for the corresponding period of last year. The increase in profit for the period from our operations was primarily attributable to the growth in toll income.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operations and capital expenditures with the Company's internal resources, long-term bank loans and borrowings from Shandong Hi-Speed Group. As at 30 June 2021, the Group had total loans of approximately RMB2,786,301,000 (31 December 2020: approximately RMB3,257,067,000), all bore interest at floating rates and were denominated in RMB. Total cash and cash equivalents (including bank deposits and cash) were approximately RMB205,292,000 (31 December 2020: approximately RMB74,731,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet daily operation needs and any capital requirements for future development. As at 30 June 2021 and 31 December 2020, the Group's gearing ratio, as calculated by dividing net debt⁽¹⁾ by total capital⁽²⁾, was approximately 46.69% and 52.33%, respectively.

Notes:

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

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

Management Discussion and Analysis (Continued)

Pledge of Assets and Contingent Liabilities

As at 30 June 2021, the Group's toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was pledged to secure a bank loan granted by a Lending Bank for the related construction project financing. As at 30 June 2021, the net carrying amount of the toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was RMB2,259,827,000. Save as mentioned above, as at 30 June 2021, the Group had no material contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 30 June 2021, the Group had a total of 682 (as at 30 June 2020: 444 (non-restated)) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB67,725,000 (approximately RMB58,449,000 for the corresponding period of last year).

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

Foreign Exchange Risk

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

As at 30 June 2021, the Group did not enter into any hedging arrangements to hedge against exposure to foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

Management Discussion and Analysis (Continued)

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

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

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB911,299,000, representing a year-on-year increase of approximately 86.66%, of which, toll income was approximately RMB887,450,000, representing a year-on-year increase of approximately 97.88%; revenue from construction, rental income and other services businesses was approximately RMB23,849,000, representing a year-on-year decrease of approximately 39.98%. During the Reporting Period, the Group achieved a gross profit of approximately RMB638,593,000, representing a year-on-year increase of approximately 222.25%. Profit for the period was approximately RMB407,905,000, generating earnings per Share of approximately RMB0.20 (corresponding period of last year: RMB0.05).

Expressway Business

In the first half of 2021, 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. Amid the pandemic, demand for passenger and freight transportation in the surrounding areas drove continued increase in the traffic volume of the Jihe Expressway and the Deshang and Shennan Expressways during the Reporting Period. The Jihe Expressway and the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 74,000, 56,700 and 10,800 vehicle trips, respectively, per day during the Reporting Period. The Jihe Expressway recorded a toll income of RMB617,083,000 during the Reporting Period, representing an increase of 97.64% from that of RMB312,218,000 in the corresponding period of last year. The Deshang and Shennan Expressways recorded a toll income of RMB270,367,000 during the Reporting Period, representing an increase of 98.41% from that of RMB136,266,000 in the corresponding period of last year.

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

Expressways managed by the Group during the Reporting Period	Total volume of passenger vehicle traffic during the Report Period ('000)	Total volume of truck and special motor vehicle traffic during the Report Period ('000)	Total traffic volume during the Report Period ('000)	Daily average traffic volume ⁽²⁾
The Jihe Expressway	8,973	4,424	13,397	74,016
The Deshang Expressway (Liaocheng – Fan County section)	5,808	4,456	10,263	56,704
The Shennan Expressway	1,021	927	1,948	10,763

Note:

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

Management Discussion and Analysis (Continued)

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) or the Shennan Expressway.

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

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

- (1) Due to the pandemic, the Ministry of Transport introduced relevant policies for the prevention and control of the pandemic. First being the extension of waiver of toll fees for small-scale passenger vehicles with seven seats or below during the Lunar New Year holidays, extending the period from 0:00 on 24 January 2020 to 24:00 on 30 January 2020, to 24:00 on 8 February 2020; Second being the waiver of toll fees for all vehicles passing through toll roads (including toll bridges and tunnels) approved and established in accordance with the Highway Law of the People's Republic of China 《中華人民共和國公路法》 and the Regulation on the Administration of Toll Roads 《收費公路管理條例》 from 0:00 on 17 February 2020 to 0:00 on 6 May 2020.

Due to such impacts, the base traffic volume in the same period of last year was relatively low, which led to a higher rate of increase in traffic volume and toll income during the Reporting Period; and

- (2) With the commissioning of the adjacent expressways and national and provincial highways, for instance, G220 Expressway was open to traffic upon completion of reconstruction and expansion works, Shenfan Road (莘范路) (G240 Expressway, Shen County – Fan County section) was open to traffic in October 2020, Dongliang Expressway (董梁高速) was commissioned in October 2020 and the implementation of the expansion project at Jingtai Expressway by phases, the traffic flows of the Jihe Expressway and the Deshang and Shennan Expressways were diverted to a certain extent.

Management Discussion and Analysis (Continued)

Toll Collection Policy

Effective from 8 January 2021, the expressway toll rates in Shandong Province shall be implemented in accordance with the Notice of the Shandong Provincial Traffic Transport Department, the Shandong Provincial Development and Reform Committee and the Shandong Provincial Finance Department on Matters Related to Expressway Toll Fees for Vehicles (Lu Jiao Cai [2021] No. 3) 《山東省交通運輸廳、山東省發展和改革委員會、山東省財政廳關於高速公路車輛通行費有關事項的通知》(魯交財[2021]3號)).

In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial Traffic Department on Clarifying Expressway ETC Preferential Policy (Lu Jiao Cai [2019] No. 26) 《山東省交通運輸廳關於明確高速公路ETC優惠政策的通知》(魯交財[2019]26號)), a toll fee discount of 5% is given to all ETC vehicles driving on expressways in Shandong province; (ii) the toll exemption for vehicles of the military and armed police forces and the like; (iii) the toll exemption for small passenger vehicles with 7 seats or fewer on major festivals and holidays; (iv) according to the relevant provisions of Notice of the Shandong Provincial Traffic Department, the Shandong Provincial Development and Reform Committee and the Shandong Provincial Finance Department on Offering Expressway Toll Discounts for Certain Trucks (Lu Jiao Fa [2020] No. 10) 《山東省交通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)), during the period between 1 September 2020 and 30 June 2021, a 15% discount on toll fee is offered for trucks with an ETC device set installed driving on expressways in Shandong Province. According to the relevant provisions of Notice on Extending the Period of Expressway Toll Discounts for Certain Trucks (Lu Jiao Fa [2021] No. 1) 《關於延長對部分貨車實行高速公路通行費折扣優惠期限的通知》(魯交發[2021]1號)) jointly issued by the Shandong Provincial Traffic Transport Department, the Shandong Provincial Development and Reform Committee and the Shandong Provincial Finance Department, the 15% discount on toll fee offered for trucks driving on expressways in Shandong Province with an ETC device set installed continues, and the end date of the discount policy is extended from 30 June 2021 to 31 December 2021; (v) the toll exemption for vehicles legally fully loaded with the products within the national Catalogue of Fresh and Alive Agricultural Products 《鮮活農產品品種目錄》; and (vii) the toll exemptions for vehicles as required by other national policies.

Rental Income

During the Reporting Period, rental income mainly represented the revenue from the advertisement business. As at the end of the Reporting Period, there were 49 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of our revenue during the Reporting Period. Meanwhile, the Group also actively nurtured new drivers for profit growth for the advertisement business.

Construction Business

The Changqing University Science Park Interchange Project

During the Reporting Period, the Company actively cooperated with the local government in promoting coordination by helping performance of site investigation in a number of occasions and attending coordination meetings. Construction and post-commissioning safety and protection plan was well designed based on requirements. Construction supervisory unit was assigned to get well prepared for resumption of work anytime. Upon receipt of notification about work resumption, the Company restarted the remaining construction works in a swift manner, in order to speed up the construction progress without compromising quality, safety and the environment. Meanwhile, efforts were made in the coordination and arrangement of tasks such as completing the billing procedures and delivery acceptance.

The Changqing University Science Park Interchange was formally put into commissioning on 18 August 2021.

Management Discussion and Analysis (Continued)

Shandong Gangtong Construction

During the Reporting Period, Shandong Gangtong Construction spared no effort in project construction and exercised strict control over construction procedures, environmental protection, safety, quality and other aspects, with focus on the construction of the Guangdong-line “four-good road” in Pingyin County, the emergency roads in Pingyin County for the prevention of floods from the Yellow River and the greening environment along “four-good road”. All of these projects achieved the target of getting half done in this half year.

On 20 February 2021, Shandong Gangtong Construction was awarded the bid for the project in respect of the routine maintenance and minor repair works of the Jihe Expressway (at the bid price of RMB11,732,200). The implementation of the project will help boost synergy of the Group and promote internal resource integration.

In the future, Shandong Gangtong Construction will further heighten the consciousness about market, responsibility and cost. Taking system establishment as the fundamental underpinning, Shandong Gangtong Construction will seek continued improvement in the construction of project management, budget management, safety management, evaluation management and other systems. At the core of achieving its production and operational objectives, Shandong Gangtong Construction will learn to deploy cutting-edge management approaches, establish streamlined, appropriate and effective project management systems and build a stronger brand name of Gangtong Construction, in order to set a firm foundation for its high-quality development.

PROSPECTS

In the first half of 2021, amid the complex and evolving environment at home and abroad, all departments in different regions, under the strong leadership of the Party Central Committee and the State Council, thoroughly implemented decisions and plans to further consolidate and expand the achievements in pandemic prevention and control as well as economic and social development. The PRC is on the trajectory of economic recovery and stability and demonstrates a momentum towards steady economic development with solid and positive growth.

In Shandong Province, the government firmly establishes and thoroughly implements new development philosophies, gives full support to the major project construction in accelerating the new and old kinetic energy conversion (新舊動能轉換), promotes high-quality development of the real economy, supports corporate transformation, improves policies and advances systems, and encourages entities to engage in their principal businesses in pursuit of profoundness and excellence. This paves a promising future for the development of the Company.

Meanwhile, in the wake of the enforcement and implementation of the Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development (國民經濟和社會發展第十四個五年規劃綱要) (the “**14th Five-Year Plan**”) from 2021, the Group will positively embrace the opportunities and challenges arising from the 14th Five-Year Plan. The Group will keep abreast of market developments, adhere to the general principle of making progress while maintaining stability, pave new business runways and cultivate new models to create a new two-wheel drive development pattern by industrial management and capital operation while ensuring robust development of the principal business of expressway operation, build up team spirit and forge concerted effort, make our best endeavour to move forward and diligently achieve all targets and missions set by the Board, facilitate high-quality sustainable development of the Company, with an aim to achieve better results in the inaugural year of the 14th Five-Year Plan.

Management Discussion and Analysis (Continued)

Share Acquisition

On 13 May 2021, the Company received a notification from Shandong Hi-Speed Group stating that Shandong Hi-Speed Group planned to inject its equity interests directly held in the Company into Shandong Hi-Speed and re-define the border of non-competing businesses among Shandong Hi-Speed Group, Shandong Hi-Speed and the Company. Pursuant to this plan, Shandong Hi-Speed intends to acquire the 778,500,000 Domestic Shares held directly by Shandong Hi-Speed Group in the Company (the “**Share Acquisition**”).

Reference is made to the announcement of the Company dated 13 May 2021 in relation to the Share Acquisition. The Share Acquisition, if materialised, may trigger an obligation on the part of Shandong Hi-Speed to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by itself or parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless otherwise waived by the Executive. As such, Shandong Hi-Speed and Shandong Hi-Speed Group has jointly made an application to the Executive pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code for the waiver of the obligation on the part of Shandong Hi-Speed to make a mandatory general offer for all the Shares other than those owned or agreed to be acquired by itself or parties acting in concert with it.

Reference is made to the announcement of the Company dated 18 May 2021 in relation to the grant of waiver by the Executive. As disclosed in the announcement, the Executive granted the waiver on 18 May 2021.

The Company will make further announcement(s) on the progress of the contemplated Share Acquisition in a timely manner as and when required under the Takeovers Code and/or the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION AND DISPATCH OF INTERIM REPORT

This report is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qlecl.com), and the 2021 Interim Report of the Group containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

SHARE CAPITAL

As at 30 June 2021, the total issued share capital of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares with a nominal value of RMB1.00 each, including:

Share capital of the Company as at 30 June 2021 was as follows:

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

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

As at 30 June 2021, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
Shandong Hi-Speed Group ⁽¹⁾	778,500,000	Beneficial interest	Domestic Shares	86.50%	38.93%	Long position
	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	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 ⁽²⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited ⁽²⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
Shenhua National Power Shandong Construction Group Limited	121,500,000	Beneficial interest	Domestic Shares	13.50%	6.08%	Long position
Shenhua National Power Group Company Limited ⁽³⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited ⁽³⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Other Information (Continued)

Name of Shareholder	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
Prudential Holdings Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential plc ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Shandong Hi-Speed Investment Holdings Co., Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position

Notes:

- (1) Shandong Hi-Speed Investment Holdings Co., Ltd. is wholly owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the H Shares held by Shandong Hi-Speed Investment Holdings Co., Ltd. under the SFO.
- (2) COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Shipping Group Company Limited. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited*. Therefore, China Shipping Group Company Limited and China COSCO Shipping Corporation Limited* are deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.
- (3) Shenhua National Power Shandong Construction Group Limited* is wholly owned by Shenhua National Power Group Company Limited*. Shenhua National Power Group Company Limited* is wholly owned by China Energy Investment Corporation Limited. Therefore, Shenhua National Power Group Company Limited* and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Shenhua National Power Shandong Construction Group Limited* under the SFO.
- (4) 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
- (5) The remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited, CITIC Limited, CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC Prudential Life Insurance Company Ltd. under the SFO.

Other Information (Continued)

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

As at 30 June 2021, none of the Directors, Supervisors or chief executives of the Company and their respective associates had, or was deemed to have, any interest or short position in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Yuan Ruizheng resigned from his position as a non-executive Director of the Company on 29 January 2021 due to work reallocation. For details, please refer to the announcement of the Company dated 29 January 2021.

Mr. Du Zhongming was appointed as a non-executive Director of the Company on 26 March 2021. For details, please refer to the announcements of the Company dated 29 January 2021 and 26 March 2021 and the circular of the Company dated 8 February 2021, respectively.

Mr. Li Gang resigned from his positions as the chairman of the Board, an executive Director, the chairman of the nomination committee, the chairman of the strategy committee, the legal representative and an authorised representative of the Company on 22 June 2021 due to work reallocation. For details, please refer to the announcement of the Company dated 22 June 2021.

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

Mr. Wang Zhenjiang was appointed as the chairman of the Board, an executive Director, the chairman of the nomination committee, the chairman of the strategy committee, the legal representative and an authorised representative of the Company on 9 August 2021. For details, please refer to the announcements of the Company dated 22 June 2021 and 9 August 2021 and the circular of the Company dated 9 July 2021, respectively.

Save as disclosed above, there were no changes in the Directors, Supervisors and senior management of the Company after the Reporting Period and up to the date of this report.

CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

Ms. Kong Xia has been appointed as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group, with effect from 18 June 2021.

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

Other Information (Continued)

MATERIAL LITIGATION AND ARBITRATION

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

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The Board is responsible for the implementation of corporate governance, including: (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 with 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 disclosure in the corporate governance report. The Board believes that an effective corporate governance system can safeguard the interests of Shareholders and promote the corporate value and accountability of the Company.

The Company has adopted all applicable code provisions of the Corporate Governance Code. During the Reporting Period, the Company has been in compliance with the applicable code provisions of the Corporate Governance Code, except the deviation from the code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to work reallocation, Mr. Li Gang resigned from the chairman of the Board of the Company on 22 June 2021 and Mr. Wang Zhenjiang was appointed as the chairman of the Board of the Company on 9 August 2021. Since then, the Company has complied with the code provision A.2.1 of the Corporate Governance Code.

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

COMPLIANCE WITH THE MODEL CODE

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

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2021.

Report on Review of Interim Financial Information

To the board of directors of Qilu Expressway Company Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 40, which comprises the condensed consolidated statement of financial position of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

26 August 2021

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000 (Restated)
REVENUE	6	911,299	488,216
Cost of sales		(272,706)	(290,050)
Gross profit		638,593	198,166
Other income and gains		10,547	29,810
Administrative expenses		(29,725)	(30,273)
Impairment losses on contract assets		(505)	–
Other expenses		(46)	–
Finance costs		(68,437)	(46,360)
Share of (loss)/profit of an associate		(161)	655
PROFIT BEFORE TAX	7	550,266	151,998
Income tax expense	8	(142,361)	(44,221)
PROFIT FOR THE PERIOD		407,905	107,777
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		407,905	107,777
Attributable to:			
Owners of the parent		407,905	107,777
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period		RMB0.20	RMB0.05
Diluted			
– For profit for the period		RMB0.20	RMB0.05

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	306,649	333,701
Investment properties		20,117	20,559
Right-of-use assets		75,946	78,173
Intangible assets	12	5,464,303	5,621,348
Investment in an associate		20,813	20,974
Deferred tax assets		610	541
Other receivables		39	26
Total non-current assets		5,888,477	6,075,322
CURRENT ASSETS			
Inventories		4,586	3,876
Trade and bills receivables	13	80,484	83,097
Contract assets		19,299	3,266
Other current assets		5,639	63
Prepayments and other receivables		5,595	2,888
Financial assets at fair value through profit or loss		400,603	464,804
Cash and cash equivalents		205,292	74,731
Total current assets		721,498	632,725
CURRENT LIABILITIES			
Trade payables	17	74,884	84,911
Dividend payables	9	360,000	—
Other payables and accruals		79,186	97,023
Interest-bearing bank and other borrowings	15	373,830	534,355
Lease liabilities		3,037	2,928
Tax payable		72,245	79,761
Provisions	16	182,468	177,468
Total current liabilities		1,145,650	976,446
NET CURRENT LIABILITIES		(424,152)	(343,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,464,325	5,731,601
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	2,412,471	2,722,712
Lease liabilities		71,482	75,911
Other payables		21,971	24,139
Deferred tax liabilities		11,676	10,019
Total non-current liabilities		2,517,600	2,832,781
Net assets		2,946,725	2,898,820
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	2,000,000	2,000,000
Other reserves		61,619	61,619
Retained earnings		885,106	837,201
Total equity		2,946,725	2,898,820

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Attributable to owners of the parent				
		Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021 (audited)		2,000,000	–	61,619	837,201	2,898,820
Profit for the period		–	–	–	407,905	407,905
Total comprehensive income for the period		–	–	–	407,905	407,905
Final 2020 dividend declared	9	–	–	–	(360,000)	(360,000)
At 30 June 2021 (unaudited)		2,000,000	–	61,619	885,106	2,946,725

	Note	Attributable to owners of the parent				
		Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020 (audited)		2,000,000	2,148,076	182,525	618,844	4,949,445
Profit for the period (restated)		–	–	–	107,777	107,777
Total comprehensive income for the period (restated)		–	–	–	107,777	107,777
Appropriations to other reserves		–	–	104	–	104
Final 2019 dividend declared	9	–	–	–	(326,000)	(326,000)
At 30 June 2020 (unaudited) (restated)		2,000,000	2,148,076	182,629	400,621	4,731,326

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	759,479	379,876
Interest received	1,870	10,964
Income tax paid	(148,289)	(59,787)
Net cash flows from operating activities	613,060	331,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(822,300)	(314,500)
Proceeds from derecognition of financial assets at fair value through profit or loss	884,536	405,563
Interest received from financial assets at fair value through profit or loss	6,816	3,735
Purchase of property, plant and equipment and intangible assets	(5,867)	(17,536)
Proceeds from disposal of items of property, plant and equipment	22	395
Acquisition of a subsidiary	–	(25,666)
Payments for other investing activities	(2,760)	(2,760)
Net cash flows from investing activities	60,447	49,231
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of interest-bearing bank and other borrowings	(470,159)	(151,524)
Payment of interest expenses	(66,625)	(46,847)
Principle portion of lease payments	(4,320)	–
Interest portion of lease payments	(1,827)	–
Net cash flows used in financing activities	(542,931)	(198,371)
NET INCREASE IN CASH AND CASH EQUIVALENTS	130,576	181,913
Cash and cash equivalents at beginning of period	74,731	1,397,177
Effect of foreign exchange rate changes, net	(15)	41
CASH AND CASH EQUIVALENTS AT END OF PERIOD	205,292	1,579,131

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB424,152,000, primarily due to the expenditure incurred on the acquisition of Deshang Expressway and Shennan Expressway in 2020. As at 30 June 2021, total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of Deshang Expressway and Shennan Expressway amounted to RMB303,745,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2021, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB2,005,000,000 are available for withdrawal before August 2021 for the refinancing of an existing loan by the Group. Having considered the cash flows from operations and its available resource of finance, the directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and it is appropriate to prepare the financial statements on a going concern basis.

2. BASIS OF PREPARATION (Continued)

Merger accounting for business combinations under common control

On 2 June 2020, the Company entered into the Transfer Agreement with Qilu Transportation Development Group Company Limited ("Qilu Transportation"), which was ultimate holding company of the Company before the joint restructuring of Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group") and Qilu Transportation. Pursuant to the Transfer Agreement, the Company acquired the toll collection rights of Deshang Expressway and Shennan Expressway ("the Target Business") from Qilu Transportation at a total consideration of RMB2,345,401,000. Since the Company and the Target Business were ultimately controlled by Qilu Transportation both before and after the completion of the transaction, the acquisition of the Target Business was accounted for using the principles of merger accounting.

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six-month period ended 30 June 2020 included the results, changes in equity and cash flows of the Target Business then comprising the Group, as if the business structure of the Group immediately after the completion of the acquisition had been in existence throughout the six-month period ended 30 June 2020, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

Restatement of operating results of the Group

As a result of the application of merger accounting to include the operating results of the Target Business, the operating results previously reported by the Group for the six-month period ended 30 June 2020 have been restated as below:

	The Group (As previously reported) RMB'000 (Unaudited)	Merger accounting The Target Business RMB'000 (Unaudited)	The Group (Restated) RMB'000 (Unaudited)
Revenue	351,340	136,876	488,216
Profit before tax	179,618	(27,620)	151,998
Profit for the period and attributable to owners of the Company	135,397	(27,620)	107,777

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and impact of the revised HKFRSs that are relevant to the preparation of the Group's interim condensed consolidated financial information are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

Since the Group did not receive any rent concessions during the six months ended 30 June 2021, the amendment did not have any impact on the financial position and performance of the Group.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

4. CHANGE IN SIGNIFICANT ACCOUNTING ESTIMATES

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

The abovementioned change in accounting estimate resulted in an increase in intangible assets and an increase in deferred tax liabilities by RMB4,877,000 and RMB1,219,000 as at 30 June 2021, an increase in profit before tax and an increase in income tax expense by RMB4,877,000 and RMB1,219,000 respectively for the six months ended 30 June 2021.

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

5. 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 performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. Management has determined the operating segments based on these reports.

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

In consideration that the revenue and profit from construction services, rental income and other services businesses are immaterial compared to the expressway business, the chief operating decision-maker reviews the performance of the Group as a whole.

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

6. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Revenue from contracts with customers		
Expressway business	887,450	448,484
Construction business	21,011	37,013
Other services businesses	578	536
Revenue from other sources		
Rental income	2,260	2,183
	911,299	488,216

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

6. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

	Expressway business RMB'000 (Unaudited)	Construction business RMB'000 (Unaudited)	Other services businesses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition				
Services transferred at a point in time	887,450	–	578	888,028
Services transferred over time	–	21,011	–	21,011
Total revenue from contracts with customers	887,450	21,011	578	909,039

For the six months ended 30 June 2020

	Expressway business RMB'000 (Unaudited) (Restated)	Construction business RMB'000 (Unaudited) (Restated)	Other services businesses RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
Timing of revenue recognition				
Services transferred at a point in time	448,484	–	536	449,020
Services transferred over time	–	37,013	–	37,013
Total revenue from contracts with customers	448,484	37,013	536	486,033

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Depreciation of property, plant and equipment	29,713	33,837
Depreciation of investment properties	442	443
Amortisation of intangible assets	157,387	163,663
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	(231)	–
Impairment of contract assets, net	505	–
Impairment of financial assets included in prepayments and other receivables	(240)	–
Loss/(Gain) on disposal of items of property, plant and equipment, net	31	(295)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the period (six months ended 30 June 2020: Nil).

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2020: 25%) of the assessable profits during the period.

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	140,773	43,500
Deferred income tax		
– Charge for the period	1,588	721
Total tax charge for the period	142,361	44,221

9. DIVIDENDS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared – RMB0.180 (2020: RMB0.1630) per ordinary share	360,000	326,000

On 26 March 2021, the board of the Company declared the dividend of approximately RMB0.180 per ordinary share, amounting to a total of approximately RMB360,000,000, which was approved at the Company's Annual General Meeting on 24 June 2021.

As at 30 June 2021, such dividend has not been paid.

The board of the Company did not declare any interim dividend to Shareholders for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

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

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Profit attributable to owners of the parent	407,905	107,777
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,000,000	2,000,000
Basic and diluted earnings per share (<i>expressed in RMB per share</i>)	0.20	0.05

11. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Carrying amount at beginning of period	333,701	375,899
Additions	2,714	22,042
Acquisition of a subsidiary	–	5,191
Depreciation	(29,713)	(33,837)
Disposals	(53)	(100)
Carrying amount at end of period	306,649	369,195

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

12. INTANGIBLE ASSETS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Carrying amount at beginning of period	5,621,348	5,955,880
Additions	342	28,669
Amortisation	(157,387)	(163,663)
Adjustment	–	(39)
Carrying amount at end of period	5,464,303	5,820,847

13. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	82,151	84,806
Impairment	(1,843)	(2,074)
Trade receivables, net	80,308	82,732
Bills receivable	176	365
	80,484	83,097

Trade receivables mainly consist of receivables of construction contracting and toll road income receivables from the Shandong Provincial Traffic Transport Department (山東省交通運輸廳) ("Shandong Transport Department") for the uncollected expressway income as at the end of reporting period.

The ageing analysis of the trade receivables was based on the transaction date and the trade receivables were aged within one year as at 30 June 2021 and 31 December 2020.

14. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Number of shares	2,000,000,000	2,000,000,000
Share capital (RMB'000)	2,000,000	2,000,000

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current:		
Bank loans – secured	231,534	211,657
Bank loans – unsecured	142,296	122,236
Other loans – unsecured	–	200,462
	373,830	534,355
Non-current:		
Bank loans – secured	1,022,470	1,142,470
Bank loans – unsecured	1,390,001	1,430,242
Other loans – unsecured	–	150,000
	2,412,471	2,722,712
	2,786,301	3,257,067
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Within one year	373,830	534,355
In the second year	331,038	498,887
In the third to fifth years, inclusive	1,392,359	1,334,290
Beyond five years	689,074	889,535
	2,786,301	3,257,067

16. PROVISIONS

	Maintenance and resurfacing obligations For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Carrying amount at beginning of period	177,468	148,420
Additional provisions	19,618	14,420
Utilisation of provisions	(14,618)	(4,477)
Carrying amount at end of period	182,468	158,363

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

17. TRADE PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	71,694	81,220
Between 1 and 2 years	593	593
Between 2 and 3 years	2,597	3,098
	74,884	84,911

Included in the trade payables are amounts of RMB8,428,000 (31 December 2020: RMB9,356,000) due to an associate, which are payables on credit terms similar to those offered by the associate to its major customers.

18. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

19. COMMITMENTS

At 30 June 2021, the capital expenditure contracted for but not recognised as liabilities was as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Upgrade project of the Ji-He Expressway	14,577	10,915

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

20. RELATED PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed elsewhere in the interim condensed consolidated financial information, the following is a summary of the significant related party transactions entered into during the ordinary course of business between the Group and its related parties.

(a) Information of related parties

	Relationships with the Group
Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group")	Ultimate holding Company
COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)")	Shareholder of the Company
Shenhua National Power Shandong Construction Group Limited ("Shandong Construction")	Shareholder of the Company
Shandong Transport Department	Parent office of Shandong Highway Bureau
Shandong Transportation Engineering Supervision Consulting Co., Ltd. ("Shandong Transportation Supervision")	A company controlled by the parent company
Shandong Hi-Speed Information Group Company Limited ("Shandong Hi-Speed Information")	A company controlled by the parent company
Shandong Hi-Speed Transportation Engineering Co., Ltd.	A company controlled by the parent company
Shandong Tongwei Information Engineering Co., Ltd. ("Shandong Tongwei")	A company controlled by the parent company
Shandong Luqiao Group Co., Ltd.	A company controlled by the parent company
Shandong Hi-Speed Xinlian Technology Co., Ltd.	A company controlled by the parent company
Shandong Hi-Speed Information Engineering Co., Ltd.	A company controlled by the parent company
Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue")	Associate of the Company

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

20. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Purchases of equipment:			
Shandong Tongwei	(i)	940	—
Shandong Hi-Speed Information Engineering Co.,Ltd.	(i)	34	—
Shandong Hi-Speed Information	(i)	—	19,193
Employee service fees:			
Shandong Hi-Speed Group	(i)/(ii)	14,371	—
Interest expenses:			
Shandong Hi-Speed Group	(i)	5,588	—
Purchases of goods:			
Jinan Xinyue	(i)	—	2,400
Sales of goods:			
Jinan Xinyue	(i)	23	—
Rent of land:			
Shandong Hi-Speed Group	(i)	5,774	—
Maintenance services:			
Shandong Tongwei	(i)	402	—
Shandong Hi-Speed Information Engineering Co.,Ltd.	(i)	2	—
Shandong Hi-Speed Information	(i)	—	854
		27,134	22,447

Notes:

- (i) During the reporting period, the transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed Group with an effective date of 11 August 2020 for the secondment of the Public-Sector Employees to provide toll collection and maintenance services for the Deshang Expressway and Shennan Expressway. Service fees are determined on a cost-plus basis based on relevant staff costs plus 6.57%. The service fees were RMB14,371,000 during the period (six months ended 30 June 2020: Nil).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables			
Shandong Transport Department		19,271	14,558
Prepayments and other receivables			
Jinan Xinyue		270	117
Shandong Hi-Speed Xinlian Technology Co., Ltd.		14	11
		284	128
Trade payables			
Jinan Xinyue		8,428	9,356
Shandong Hi-Speed Information		996	996
Shandong Luqiao Group Co., Ltd.		199	199
Shandong Transportation Supervision		60	60
		9,683	10,611
Other payables			
Shandong Hi-Speed Group (i)		35,040	36,591
Shandong Hi-Speed Information		16,328	16,328
Shandong Luqiao Group Co., Ltd.		2,384	–
Shandong Hi-Speed Transportation Engineering Co., Ltd.		55	55
Shandong Tongwei		53	6
		53,860	52,980
Interest-bearing bank and other borrowings			
Shandong Hi-Speed Group		–	350,462
Dividend payables:			
Shandong Hi-Speed Group		140,130	–
COSCO SHIPPING (Hong Kong)		108,000	–
Shandong Construction		21,870	–
		270,000	–

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Note:

- (i) An amount of RMB24,731,000 represented the payable for the lease of land and property of Jihe Expressway in respect of the Concession Arrangement with an annual payment of RMB2,760,000 for the years from 2018 to 2034. The amount was measured at the present value of lease payments to be made over the lease term.

An amount of RMB10,309,000 represented the payable for employee service fees of Deshang Expressway and Shennan Expressway.

The amount of RMB2,760,000 in relation to the land and property lease for the six months ended 30 June 2021 as paid in March 2021.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	2,786,301	3,257,067	2,731,366	3,275,678
Other payables non-current	21,971	24,139	21,971	24,139
	2,808,272	3,281,206	2,753,337	3,299,817

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

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

The fair values of interest-bearing bank and other borrowings and the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own-performance risk for interest-bearing bank and other borrowings and non-current portion of other payables as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2021

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:	–	400,603	–	400,603

As at 31 December 2020

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

The Group did not have any financial liabilities measured at fair value at 30 June 2021 and 31 December 2020.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

22. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events take place after the reporting period.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 26 August 2021.