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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)**

**2021 ANNUAL RESULTS**

**AND**

**PROPOSED DISTRIBUTION OF 2021 FINAL DIVIDEND**

**HIGHLIGHTS**

- Revenue increased by approximately 18.10% to approximately RMB1,995,309 thousand (compared with the revenue from operations in the corresponding period of last year).
- Profit and total comprehensive income for the year attributable to owners of the parent increased by approximately 37.48% to approximately RMB853,434 thousand (compared with the profit and total comprehensive income for the year attributable to owners of the parent in the corresponding period of last year).
- Earnings per Share was approximately RMB0.43.
- Recommendation of payment of the 2021 Final Dividend of RMB0.18 (tax inclusive) per Share.

## 2021 ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2021, prepared in accordance with the HKFRS, together with comparative figures for the preceding financial year:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2021*

	Notes	2021 <b>RMB'000</b>	2020 <b>RMB'000</b>
REVENUE	3	<b>1,995,309</b>	1,689,536
Cost of sales		<b>(671,628)</b>	(706,403)
Gross profit		<b>1,323,681</b>	983,133
Other income and gains	3	<b>20,569</b>	48,753
Administrative expenses		<b>(69,360)</b>	(74,521)
Impairment losses on contract assets		<b>(1,720)</b>	(92)
Other expenses		<b>(4,306)</b>	(15,647)
Finance costs	5	<b>(127,408)</b>	(114,844)
Share of profit or loss in associates		<b>364</b>	499
PROFIT BEFORE TAX	4	<b>1,141,820</b>	827,281
Income tax expense	6	<b>(288,386)</b>	(206,505)
PROFIT FOR THE YEAR		<b>853,434</b>	620,776
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>853,434</b>	620,776
Attributable to:			
Owners of the parent		<b>853,434</b>	620,776
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	8	<b>RMB0.43</b>	RMB0.31
Diluted			
– For profit for the year	8	<b>RMB0.43</b>	RMB0.31

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2021*

		<b>2021</b>	2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>309,030</b>	333,701
Investment properties		<b>19,674</b>	20,559
Right-of-use assets	9(a)	<b>73,718</b>	78,173
Intangible assets		<b>5,376,248</b>	5,621,348
Investment in an associate	10	<b>21,338</b>	20,974
Deferred tax assets	11	<b>1,941</b>	541
Prepayments and other receivables	12	<b>2,787</b>	26
		<hr/>	<hr/>
Total non-current assets		<b>5,804,736</b>	6,075,322
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>3,917</b>	3,876
Trade and bills receivables	13	<b>132,733</b>	83,097
Contract assets	14	<b>59,009</b>	3,266
Other current assets		<b>10,414</b>	63
Prepayments and other receivables	12	<b>34,600</b>	2,888
Financial assets at fair value through profit or loss	15	<b>–</b>	464,804
Cash and cash equivalents		<b>587,477</b>	74,731
		<hr/>	<hr/>
Total current assets		<b>828,150</b>	632,725
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	<b>148,645</b>	84,911
Other payables and accruals	17	<b>178,344</b>	97,023
Interest-bearing bank and other borrowings		<b>352,148</b>	534,355
Lease liabilities	9(b)	<b>2,870</b>	2,928
Tax payable		<b>54,472</b>	79,761
Provision		<b>163,800</b>	177,468
Total current liabilities		<b>900,279</b>	976,446
NET CURRENT LIABILITIES		<b>(72,129)</b>	(343,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>5,732,607</b>	5,731,601
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>2,223,810</b>	2,722,712
Lease liabilities	9(b)	<b>73,041</b>	75,911
Other payables	17	<b>22,562</b>	24,139
Deferred tax liabilities	11	<b>20,940</b>	10,019
Total non-current liabilities		<b>2,340,353</b>	2,832,781
Net assets		<b>3,392,254</b>	2,898,820
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>2,000,000</b>	2,000,000
Other reserves		<b>147,198</b>	61,619
Retained earnings		<b>1,245,056</b>	837,201
Total equity		<b>3,392,254</b>	2,898,820

## NOTES TO FINANCIAL INFORMATION

31 December 2021

### 1.1 BASIS OF PREPARATION

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

#### **Going concern basis**

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by RMB72,129,000, primarily due to the expenditure incurred on the acquisition of the Deshang Expressway and Shennan Expressway in 2020. As at 31 December 2021, total interest-bearing bank and other borrowings in current liabilities in relation to the acquisition of the Deshang Expressway and Shennan Expressway amounted to RMB136,808,000.

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 31 December 2021, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB324,599,000 before June 2022, RMB400,000,000 before December 2022, RMB1,142,470,000 before December 2026 are available for withdrawal for the refinancing of an existing loan by the Group. Having considered the cash flows from operations and its available sources 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.

## 1.1 BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

*Interest Rate Benchmark Reform – Phase 2*

Amendment to HKFRS 16

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

The nature and impact of the revised HKFRSs 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 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 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, 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 the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

## **1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

- (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.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.



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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2, 5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2, 4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>1</sup>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

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

<sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases* : removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 2. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to the consolidated results are mainly derived from the management and operation of expressways, which is regarded as a single reportable segment. Segment performance reported internally to the Group's directors for the purposes of resource arrangement and performance assessment is consistent with the measurement of the Group's revenue and results presented in the consolidated statement of profit or loss and other comprehensive income. In addition, all of the Group's operations are located in Mainland China. Accordingly, no operating segment information is presented, other than the entity-wide disclosures.

### Entity-wide disclosures

#### *Geographical information*

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

#### *Information about major customers*

During the years ended 31 December 2021 and 2020, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
<i>Revenue from contracts with customers</i>		
Expressway business	1,772,904	1,541,041
Construction business	180,516	142,665
Sale of industrial products	34,878	—
Other service businesses	2,234	1,920
<i>Revenue from other sources</i>		
Rental income*	4,777	3,910
	<b>1,995,309</b>	<b>1,689,536</b>

\* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB4,134,000 and fixed payments of RMB643,000 during the year ended 31 December 2021.

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

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

	2021 RMB'000	2020 RMB'000
<b>Type of revenue</b>		
Expressway business	1,772,904	1,541,041
Construction business	180,516	142,665
Sale of industrial products	34,878	—
Other service businesses	2,234	1,920
	<u>1,990,532</u>	<u>1,685,626</u>
Total revenue from contracts with customers	<u>1,990,532</u>	<u>1,685,626</u>
	2021 RMB'000	2020 RMB'000
<b>Timing of revenue recognition</b>		
At a point in time	1,810,016	1,542,961
Over time	180,516	142,665
	<u>1,990,532</u>	<u>1,685,626</u>
Total revenue from contracts with customers	<u>1,990,532</u>	<u>1,685,626</u>

##### (ii) *Performance obligations*

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

##### *Expressway business*

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

##### *Construction business*

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

##### *Sales of products*

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

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

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

##### (ii) Performance obligations (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	5,899,154	164,339
After one year	<u>12,778,427</u>	<u>–</u>
	<u><b>18,677,581</b></u>	<u><b>164,339</b></u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
	<i>Note</i>	
<b>Other income and gains</b>		
Fair value gains from financial assets at fair value through profit or loss	4	8,965
Interest income from financial assets measured at amortised cost	4	–
Bank interest income	4	4,295
Compensation income for road damages		4,258
Government grants		1,295
Foreign exchange differences, net	4	–
Others		<u>1,756</u>
Other income and gains		<u><b>20,569</b></u>

#### 4. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
Construction costs		<b>145,391</b>	123,820
Cost of inventories sold		<b>34,533</b>	–
Maintenance and resurfacing costs and provisions		<b>35,542</b>	98,357
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and allowances, social security and benefits		<b>124,165</b>	112,292
Defined contribution pension schemes		<b>16,986</b>	7,214
Other staff benefits		<b>8,073</b>	6,901
		<b>149,224</b>	126,407
Depreciation in respect of:			
– property, plant and equipment		<b>48,780</b>	69,535
– right-of-use assets	9	<b>4,455</b>	2,304
– investment properties		<b>885</b>	886
Amortisation of intangible assets in respect of:			
– service concession arrangements		<b>289,950</b>	325,612
– software		<b>1,400</b>	1,519
Loss/(gain) on disposal of items of property, plant and equipment and intangible assets		<b>31</b>	(295)
Impairment of trade receivables	13	<b>4,051</b>	2,074
(Reversal of impairment)/Impairment of contract assets	14	<b>1,720</b>	92
Impairment of financial assets included in prepayments and other receivables	12	<b>(169)</b>	39
Impairment of property, plant and equipment		<b>–</b>	13,520
Auditor's remuneration		<b>1,580</b>	1,450
Foreign exchange differences, net	3	<b>355</b>	(2,516)
Interest income from financial assets at fair value through profit or loss	3	<b>(8,965)</b>	(5,107)
Fair value gains from financial assets at fair value through profit or loss	3	<b>–</b>	(2,568)
Bank Interest income	3	<b>(4,295)</b>	(16,083)



## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
Interest expenses on interest-bearing bank borrowings	<b>116,971</b>	101,828
Interest expenses on loans from Shandong Hi-Speed Group	<b>5,588</b>	10,400
Interest on lease liabilities (note 9(b))	<b>3,666</b>	1,360
Accreted interest expense on leasing payment due to Shandong Hi-Speed Group	<b>1,183</b>	1,256
	<b><u>127,408</u></b>	<b><u>114,844</u></b>

## 6. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2020: nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% (2020: 25%) of the assessable profits during the year.

	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
Current – Mainland China		
Charge for the year	<b>275,761</b>	211,100
(Overprovision)/underprovision in prior years	<b>3,104</b>	(427)
Deferred (note 11)	<b>9,521</b>	(4,168)
Total tax charge for the year	<b><u>288,386</u></b>	<b><u>206,505</u></b>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

## 6. INCOME TAX (CONTINUED)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>1,141,820</u>	<u>827,281</u>
Tax at the statutory tax rate at 25%	285,455	206,820
Effect of different tax rate of a subsidiary	(326)	(178)
Income not subject to tax	(91)	(125)
Expenses not deductible for tax	34	346
Tax losses not recognised	54	23
Tax losses utilised from previous periods	(9)	—
Adjustments in respect of tax of previous periods	3,104	(427)
Others	<u>165</u>	<u>46</u>
Tax charge at the Group's effective tax rate	<u>288,386</u>	<u>206,505</u>

## 7. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend – RMB0.180 (2020: RMB0.180) per ordinary share	<u>360,000</u>	<u>360,000</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,000,000,000 (2020: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 9. LEASES

### The Group acts as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Annual payments were made to acquire the leased land from the owners with lease periods ranging from 20 to 24 years, and ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 3 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets to the third parties.

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

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<b>Leasehold land RMB'000</b>	<b>Buildings RMB'000</b>	<b>Total RMB'000</b>
As at 1 January 2020	—	—	—
Additions	77,299	3,178	80,477
Depreciation charge	(1,536)	(768)	(2,304)
As at 31 December 2020 and 1 January 2021	<b>75,763</b>	<b>2,410</b>	<b>78,173</b>
Depreciation charge	(3,687)	(768)	(4,455)
As at 31 December 2021	<b>72,076</b>	<b>1,642</b>	<b>73,718</b>

#### (b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
Carrying amount at 1 January	<b>78,839</b>	—
New leases	—	80,477
Accretion of interest recognised during the year	<b>3,666</b>	1,360
Covid-19-related rent concessions from lessors	—	(153)
Payments	(6,594)	(2,845)
Carrying amount at 31 December	<b>75,911</b>	<b>78,839</b>
Analysed into:		
Current portion	<b>2,870</b>	2,928
Non-current portion	<b>73,041</b>	<b>75,911</b>

## 9. LEASES (CONTINUED)

### The Group acts as a lessee (Continued)

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	3,666	1,360
Depreciation charge of right-of-use assets	4,455	2,304
Covid-19-related rent concessions from lessors	—	(153)
	<u>          </u>	<u>          </u>
Total amount recognised in profit or loss	<u>8,121</u>	<u>3,511</u>

### The Group acts as a lessor

The Group leases its investment properties consisting of 14 (2020: 14) commercial properties in Mainland China and advertisement billboards and telecommunication cable pipes under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB4,777,000 (2020: RMB3,910,000), details of which are included in note 3 to the financial statements.

At 31 December 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	2,828	2,931
After one year but within two years	1,371	2,027
After two years but within three years	1,018	974
After three years but within four years	753	875
After four years but within five years	274	693
After five years	272	523
	<u>          </u>	<u>          </u>
	<u>6,516</u>	<u>8,023</u>

## 10. INVESTMENT IN AN ASSOCIATE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of net assets	<u>21,338</u>	<u>20,974</u>

Particulars of the Group's associate are as follows:

Particulars of name	capital invested	Place of registration and business	Percentage of ownership interest attributable to the activity	Group Principal
Jinan Xinyue New Road Material Research and Development Co., Ltd.	Paid-up capital of RMB30,000,000	PRC/Mainland China	40	Material research and development

The Group's shareholdings in the associate all comprise equity shares held through a wholly-owned subsidiary of the Company, Shandong Gangtong Construction. Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue") became an associate of the Group upon the completion of the acquisition of Shandong Gangtong Construction on 30 March 2020.

The financial year of the above associate is coterminous with that of the Group.

Jinan Xinyue, which is considered a material associate of the Group, is a strategic partner of the Group in conducting business of the research and development of materials used for road maintenance and construction and is accounted for using the equity method.

The following table illustrates Xinyue Material's summarised financial position information as at 31 December 2021 and summarised financial performance information for 2021, and financial position information as at 31 December 2020 and summarised financial performance information for the period from 30 March to 31 December 2020 (i.e., the period after Xinyue Material has become an associate of the Group), adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

# 10. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current assets	42,506	40,025
Non-current assets	30,597	33,459
Current liabilities	(19,758)	(21,050)
Net assets	<u>53,345</u>	<u>52,434</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	40%	40%
Group's share of net assets of the associate	<u>21,338</u>	<u>20,974</u>
Carrying amount of the investment	<u>21,338</u>	<u>20,974</u>
		Period from 30 March to 31 December
	2021	2020
Revenue	34,046	47,220
Profit for the year	910	1,248
Total comprehensive income for the year	<u>910</u>	<u>1,248</u>
Share of the associate's profit for the year	<u>364</u>	<u>499</u>

## 11. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Provision for maintenance and resurfacing obligations <i>RMB'000</i>	Impairment of property, plant and equipment <i>RMB'000</i>	Replacement of intangible assets <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Right-of-use assets depreciation differences between accounting and tax regulations <i>RMB'000</i>	Bad debt provisions <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	37,091	271	6,942	14	–	86	44,404
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year ( <i>note 11</i> )	<u>7,097</u>	<u>3,319</u>	<u>(2,934)</u>	<u>165</u>	<u>–</u>	<u>551</u>	<u>8,198</u>
Gross deferred tax assets at 31 December 2020 and 1 January 2021	44,188	3,590	4,008	179	–	637	52,602
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year ( <i>note 11</i> )	<u>(3,246)</u>	<u>(587)</u>	<u>193</u>	<u>(171)</u>	<u>547</u>	<u>1,352</u>	<u>(1,912)</u>
Gross deferred tax assets at 31 December 2021	<u><u>40,942</u></u>	<u><u>3,003</u></u>	<u><u>4,201</u></u>	<u><u>8</u></u>	<u><u>547</u></u>	<u><u>1,989</u></u>	<u><u>50,690</u></u>

### Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations <i>RMB'000</i>	Property, plant and equipment depreciation differences between accounting and tax regulations <i>RMB'000</i>	Fair value adjustment of financial assets at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	58,015	35	–	58,050
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year ( <i>note 6</i> )	<u>3,416</u>	<u>(28)</u>	<u>642</u>	<u>4,030</u>
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	61,431	7	642	62,080
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year ( <i>note 6</i> )	<u>8,258</u>	<u>(7)</u>	<u>(642)</u>	<u>7,609</u>
Gross deferred tax liabilities at 31 December 2021	<u><u>69,689</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>69,689</u></u>

## 11. DEFERRED TAX (CONTINUED)

### Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<b>1,941</b>	541
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u><b>20,940</b></u>	<u>10,019</u>
Net deferred tax liabilities	<u><b>18,999</b></u>	<u>9,478</u>

The Group has tax losses arising in Hong Kong of RMB646,000 (2020: RMB734,000) that are not available for offsetting against future taxable profits of the company in which the losses arose because the company still has no operation activities as at 31 December 2021.

The Group has no tax losses arising in Mainland China (2020: RMB400,000) that will expire in one to five years for offsetting against future taxable profits.

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Tax losses not recognised as deferred assets	<u><b>2,881</b></u>	<u>2,636</u>

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.



## 12. PREPAYMENTS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Current portion</i>		
Prepayment to suppliers	31,819	717
Deposits and other receivables	<u>2,995</u>	<u>2,554</u>
	34,814	3,271
 Impairment allowance	 <u>(214)</u>	 <u>(383)</u>
	<u>34,600</u>	<u>2,888</u>
 <i>Non-current portion</i>		
Other receivables	<u>2,787</u>	<u>26</u>
	<u><u>37,387</u></u>	<u><u>2,914</u></u>

The movement in provision for impairment of other receivables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	383	344
Impairment losses, net (note 4)	<u>(169)</u>	<u>39</u>
 At end of year	 <u><u>214</u></u>	 <u><u>383</u></u>

Financial assets included in prepayments and other receivables mainly represent deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2021 was 7.15% (2020: 15.00%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

### 13. TRADE AND BILLS RECEIVABLES

Trade receivables are analysed by category as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	138,658	84,806
Impairment	<u>(6,125)</u>	<u>(2,074)</u>
Trade receivables, net	132,533	82,732
Bills receivable	<u>200</u>	<u>365</u>
	<u><b>132,733</b></u>	<u><b>83,097</b></u>

Trade receivables mainly consist of receivables of construction contracting and toll road income receivables from Shandong Transport Department for the uncollected expressway income as at the relevant year end.

For receivables of construction contracting, the payment terms of contract work receivables are stipulated in the relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months.

Trade receivables of toll road income from Shandong Transport Department are expected to be settled within one month (2020: within one month).

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	92,868	82,732
One to two years	<u>39,665</u>	<u>—</u>
Total	<u><b>132,533</b></u>	<u><b>82,732</b></u>

The movement in the loss allowance for impairment of trade receivables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	2,074	—
Impairment losses, net (note 4)	<u>4,051</u>	<u>2,074</u>
At end of year	<u><b>6,125</b></u>	<u><b>2,074</b></u>

### 13. TRADE AND BILLS RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group's toll road income receivables were from Shandong Transport Department and there is no past due balance. Management keeps reviewing and assessing the creditworthiness of the Group's existing customer on an ongoing basis. No expected credit losses were provided as the directors consider that the expected credit risks of toll road income receivables are minimal.

Considering the creditworthiness of the customers and the fact of having no business dealing history, the Group measures expected credit losses of the construction contracting receivables by reference to the construction industrial experience and the expected credit loss rate is set to be 3% within 1 year and 8% from 1 to 2 years.

### 14. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets arising from:		
Construction services	60,821	3,358
Impairment	<u>(1,812)</u>	<u>(92)</u>
	<u><b>59,009</b></u>	<u><b>3,266</b></u>

Contract assets are initially recognized for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2021 was the result of the increase in the provision of construction contracting services at the end of the year.

During the year ended 31 December 2021, RMB1,720,000 (2020: RMB92,000) was recognised as an allowance for expected credit losses on contract assets.

#### 14. CONTRACT ASSETS (CONTINUED)

The expected timing of recovery or settlement for contract assets as at 31 December 2021 is as follows:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Within one year	<b><u>60,821</u></b>	<u>3,358</u>

The movement in the loss allowance for impairment of contract assets is as follows:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
At beginning of year	<b>92</b>	—
Impairment losses (note 4)	<b><u>1,720</u></b>	<u>92</u>
At end of year	<b><u>1,812</u></b>	<u>92</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets excluding retentions using a provision matrix:

	<b>2021</b>	2020
Expected credit loss rate	<b>3%</b>	3%
Gross carrying amount (RMB'000)	<b>60,371</b>	3,054
Expected credit losses (RMB'000)	<b><u>1,812</u></b>	<u>92</u>

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Structured bank deposits	–	452,568
Wealth management products	–	12,236
	<u>–</u>	<u>464,804</u>

The structured bank deposits and wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 16. TRADE PAYABLES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	98,459	81,220
1 to 2 years	47,560	593
Over 2 years	2,626	3,098
	<u>148,645</u>	<u>84,911</u>

Included in the trade payables are amounts totaling RMB22,912,000 (2020: RMB10,611,000) due to the Group's related parties, which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between 1 and 2 years, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

## 17. OTHER PAYABLES

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Other retention payables and deposits received	(b)	<b>68,647</b>	2,232
Due to related parties		<b>57,100</b>	52,980
Staff salaries and welfare		<b>39,517</b>	35,437
Other taxes and surcharge payables		<b>16,124</b>	10,320
Advance from customers		<b>9,797</b>	8,261
Other payables and accruals	(b)	<b>5,067</b>	3,707
Payables for purchases of long-term assets	(b)	<b>4,558</b>	7,440
Contract liabilities	(a)	<b>96</b>	785
		<b>200,906</b>	121,162
Less: Non-current portion		<b>22,562</b>	24,139
Current portion		<b>178,344</b>	97,023

*Notes:*

(a) Details of contract liabilities are as follows:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Construction services	<b>96</b>	785

Contract liabilities include short-term advances received from customers for construction services when the pace of progress billings exceeds the pace of relevant construction projects.

(b) Other payables are non-interest-bearing, and repayable based on credit periods which are granted by each individual supplier or contractor on a case-by-case basis and set out in the respective contracts.

## 18. EVENTS AFTER THE REPORTING PERIOD

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

## OVERVIEW OF BUSINESS DEVELOPMENT

### Macroeconomic Environment And Social Development

In 2021, with China's remarkable achievements in coordinating economic development and the epidemic prevention and control, expressway operations maintained a recovery trend as a whole and achieved rapid growth over the same period. China has significant institutional advantages of socialism with Chinese characteristics and a solid material and technological foundation. China's economy transformation has accelerated relying on market advantages and domestic demand potential, huge human resources, and rich experience in macro-control, and the development trend of enterprises has been stable and positive for a long time. In 2021, China's total gross domestic product surpassed RMB114 trillion for the first time, representing a year-on-year growth of 8.1%, which meant a good start of the "14th Five-Year Plan". Shandong Province, the place where the Group's principal businesses are located, recorded a year-on-year gross regional product growth of 8.3%, reaching RMB8,309.59 billion. The provincial economy continued to improve amid stability.

### Review Of Our Operations

**The principal business was developing steadily.** The year 2021 was the first year of the "14th Five-Year Plan", and a critical year for China's economy to return to the right track of development after the epidemic. Actively embracing the opportunities and challenges brought about by the "14th Five-Year Plan", the Company conscientiously implemented policies with a focus on major responsibility and principal business to stimulate the leading role of expressway operation as its principal business, overcame difficulties and constantly enhanced the construction, maintenance, operation and management of Jihe Expressway, Deshang Expressway (Liaocheng-Fan County section) and Shennan Expressway. The expressway operation business of the Company was conducted in an orderly manner throughout the year and developed steadily. During the year, the Company recorded net income of RMB1,995,309,000 and total profits of RMB1,141,820,000, a year-on-year increase of 18.10% and 38.02%, respectively. Please refer to the sub-sections headed "FINANCIAL REVIEW – Operations – Revenue" and "BUSINESS REVIEW – Expressway Business" under the "Management Discussion and Analysis" to this announcement for details.

**Refined and Optimized Operation Management.** In 2021, the Company adhered to goal achievement and problem solving with a focus on joint efforts to achieve key tasks such as toll operation, road maintenance, security and smoothness, changing work plans, innovating methods and paying close attention to implementation, so as to lead further the operation management. First, the Company strengthened toll management by insisting on avoiding leaks and income increase and conducting special inspections and level inspections to ensure road safety and smoothness while improving operational efficiency; second, it enhanced maintenance management by adhering to addressing problems from the source and improving maintenance level. It vigorously implemented precise maintenance, to enhance comprehensively the quality of maintenance management and create high-quality maintenance projects. Take system construction as the starting point, the Company strengthened quality control, standardized maintenance construction operations, improved

emergency plan system, strengthened quality control throughout the process, and enhanced the ability to respond to natural disasters as well as early warning and handling capabilities; third, it strengthened safety management by adhering to risk prevention and control, and implementing a safety responsibility system; strengthened safety education and training, formulated safety training plans at different levels, categories and positions to improve the safety quality of all employees, and effectively prevent and constrain major accidents; fourth, it implemented epidemic prevention and control, fulfilled social responsibilities, and actively cooperated to make the transportation vehicles for epidemic prevention and emergency supplies pass for free, at first and in a fast manner, and established an accountability system for epidemic prevention and control to improve the implementation of prevention and control measures.

**Critical projects were steadily promoted.** In 2021, the Company always adhered to the strategic planning led by expressways as its principal business, accelerated the pace of business expansion, put more efforts in resources investment and allocation and steadily promoted the construction of projects to orderly and solidly advance the development of key engineering projects in Shangdong Province. During the Reporting Period, considering the overall situation, concentrating, planning scientifically, organizing carefully, coordinating and forging ahead, the Company promoted the completion of the preliminary work of the Jihe Expressway reconstruction and expansion project in a relatively short period of time, which reflected the Company's management advantages in the expressway industry and further enhanced its brand image.

**Breakthroughs achieved in capital operation.** In 2021, the Company proactively integrated into the new development pattern and attracted more social capital leveraging the capital market to support the development of expressway industry. Taking full use of the financial aggregation role of the Hong Kong Stock Exchange and Hong Kong's status as a financial center, the Company promoted the integration of finance capital and industrial capital through capital-enabled resources integration, constant capital operation optimization and in-depth reform of investment and financing system, which promoted the stable growth of market value. Leveraging its own advantages and relying on the financial capital market, the Company actively enhanced capital and financing management by broadening the financing channels for investment projects, promoting the orderly development of the Company's investment projects, and further optimizing the Company's asset allocation, which promoted the coordinated development of industry and capital.

**Reform and development have opened up a chapter.** In 2021, the Company has intensified its reform and innovation. With an aim to creating greater value and returns for shareholders, it seized the great opportunity to scale up as a better company with greater strength, and on top of achieving the integration of core expressway assets in the region with a focus on the industry chain and value chain of the principal business, it expanded into new sectors, developed new models and embarked on building a dual platform for industrial development and capital operation to add up business reserve for subsequent development, improve the core competitiveness of the Company and promote the high-quality and sustainable development of the Company.

## **Outlook**

In 2022, the global economy will gradually recover, the external environment will be complex and changeable, and under the triple pressure of demand contraction, supply shock and weakening expectations, there have been macroeconomic downward pressure. Relying on China's stable system and the continuous improvement of the market economic system, the long-term positive fundamentals in mainland will remain unchanged. In light of the new patterns and changes, Shandong Province has closely followed the superposition effect of major strategies and the



new opportunities brought by the expansion of opening up, continued the amplification of policy integration and is preparing for break through the transformation of new and old kinetic energy, to accelerate the formation of innovative development advantages, effectively strengthen infrastructure support, and become more entrepreneurial. As the only overseas listing platform in the expressway sector in Shandong Province, the Company has many advantages in geography, environment and industry. In order to achieve higher quality development, the Company will further study the development goals, core tasks and key measures of the Company in 2022, and continuously enhance its profitability and core competitiveness. It will embrace challenges and opportunities to promote the high-quality development of the Company with practical actions.

**Consolidating efficient development and implementing reform and innovation thoroughly.**

In 2022, the Company will firmly seize the opportunity of the reconstruction and expansion of Jihe Expressway, deepen and penetrate the industry chain, explore into the derivative business value chain, and accelerate the formation of a new development pattern led by the principal business and driven by the two aspects. Meanwhile, the Company will deepen the reform and innovation of organizational structure, assessment mechanism and profit model, optimize its organizational structure and management model, improve the overall decision-making quality and efficiency, and fully mobilize the enthusiasm of employees to enhance the Company's vitality and competitiveness, and continuously improve its operating efficiency and management capacity.

**Promoting the construction of cultural system to increase the Company's competitiveness in an all-round way.**

In 2022, the Company will always uphold its cultural system building of Qilu Expressway, namely, taking patriotism and selflessness as its pursuit, new development philosophy as its cornerstone, capital management as its core, and innovation as its driving force. It will continuously apply the functions of cohesion, orientation, inspiration and transformation unleashed by its corporate culture of "Smart and Beauty of Qilu", and fully implement initiatives to build its corporate cultural system. Internally, it will further stimulate its employees' enthusiasm, creativity and coordination and rally their strength to enhance the Company cohesion; externally, it will continuously improve its good image to expand its exposure to the public, enhance the understanding and acknowledgement of investors and potential investors to the Company to increase their confidence of investment in the Company so as to help our market value grow stably. In 2022, the Company will continue to move on based on the actual conditions, highly integrate cultural management into corporate operation and management practice, unleash the guiding force and cohesion of its corporate culture to improve its soft power and sustainability.

**Improving the comprehensive service level and understanding the actual needs of customers.**

In 2022, the Company will accelerate the construction of smart transportation and constantly control traffic congestion taking full use of digital and information-based channels, keep improving road emergency response measures and obstacle clearance and rescue system, research and formulate more efficient and practical congestion control methods to effectively improve customer travel experience. It will actively explore and extend the "high-speed +" business connotation to enhance the customer travel experience, enhance refined management and understand travel needs of customers through big data analysis, and explore the provision of information consulting, accessing by making an appointment and other personalized services, so as to effectively improve the quality of expressway operation services.

**Consolidating security and epidemic prevention and control to support the sound development of the Company.** In 2022, on one hand, the Company will tighten security management, fully implement the responsibility system of safe production to ensure the effective safe production, carry out investigation activities for highway safety production in a regular manner, and monitor and examine the work safety in time. Meanwhile, it will strengthen the construction of the supervisory team, optimize the management methods of safe production, achieve stable and orderly safe production, strong safety supervision in place; further refine the norms of safe production management, urge employees to firmly establish awareness of safe production, adhere to risk prevention and control, constantly strengthen the construction of emergency response systems, eliminate hidden accidents in a timely manner, maintain good traditions, as well as adhere to zero accidents and zero risks in safe production. On the other hand, it will build a solid epidemic protection barrier, grasp the details of epidemic prevention and control management, and unrelentingly strengthen epidemic prevention and control measures.

The year 2022 is the second year for China to implement the 14th Five-Year Plan and embark on a new journey of building a modern socialist China in an all-round way. It is an important year for implementing the 14th Five-Year Plan and accelerating the construction of a strong transportation country, and it is also an important year for the Company to accelerate its development. With its firm confidence, the Company will occupy opportunities, pioneer and innovate, work hard to build a smooth, safe, comfortable and wonderful Qilu Expressway, steadily promote the Company's sustainable, stable and harmonious development and work together to open a new chapter in the Company's development.

For further details of the Group's future business development, please refer to the subsection headed "Management discussion and analysis – Business review – Prospects" in this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 and the sales of industrial products. 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 RMB1,995,309,000, representing an increase of approximately 18.10% compared with that of approximately RMB1,689,536,000 of last year. Such revenue from operations included the revenue from the Expressway Business which amounted to approximately RMB1,772,904,000, representing a year-on-year increase by approximately RMB231,863,000 (or approximately 15.05%). During the Reporting Period, toll income from the Jihe Expressway was approximately RMB1,247,118,000, representing an increase of approximately 18.78% compared with that of approximately RMB1,049,899,000 of last year. Our toll income from the Deshang and the Shennan Expressways was approximately RMB525,786,000 representing an increase of approximately 7.05% from that of approximately RMB491,142,000 of last year. The overall toll income we recorded increased significantly, primarily due to the waiver of toll fees pursuant to the notice of the relevant PRC competent transportation authority during the prevention and control of Covid-19 pandemic in 2020 from 0:00 on 17 February 2020 to 0:00 6 May 2020, resulting in the decrease of toll income. With the pandemic being effectively contained, the toll income resumed back to normal in 2021, representing an increase as compared with 2020.

During the Reporting Period, we recorded a revenue from construction business of approximately RMB180,516,000, representing an increase of approximately 26.53% from that of approximately RMB142,665,000 of last year, which was mainly attributable to the revenue of engineering services from Shandong Gangtong of RMB135,947,000. For details, please refer to the sub-section headed “Business Review – Construction Business” under this section.

In addition, during the Reporting Period, we recorded the revenue from the sales of industrial products of approximately RMB34,878,000, which is mainly the income from trading business of Shandong Shunguang Industrial. We recorded an income from other service business of approximately RMB2,234,000, representing an increase of approximately 16.35% as compared to approximately RMB1,920,000 of last year, mainly attributable to the service income generated from road clearance services for traffic accidents.

During the Reporting Period, we recorded a rental income of approximately RMB4,777,000, representing an increase of approximately 22.17% from that of RMB3,910,000 of last year. The rental income mainly represented the service income from leasing the advertisement billboards along both sides of the Jihe Expressway of approximately RMB3,206,000 (representing an increase of approximately 8.97% from that of approximately RMB2,942,000 of last year), and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties of approximately RMB1,571,000 (representing an increase of approximately 62.29% from that of RMB968,000 of last year). Such increase in rental income was primarily attributable to the increase in the Company's leasing business during the reporting period, which increased lease income.

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

During the Reporting Period, our cost of sales and gross profit were approximately RMB671,628,000 and RMB1,323,681,000 respectively, as compared to those of approximately RMB706,403,000 and RMB983,133,000 of last year, representing a decrease of approximately 4.92% and increase of approximately 34.64% on a year-on-year basis respectively. Gross profit margin of the Group was approximately 66% for the Reporting Period, representing a year-on-year increase of approximately 8% as compared with approximately 58% in the corresponding period of last year. Costs of the Group were mainly incurred from amortisation of intangible assets, staff costs, construction costs, maintenance costs and provisions of the Jihe Expressway and the Deshang and Shennan Expressways.

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

During the Reporting Period, other income and gains were approximately RMB20,569,000, representing a decrease of approximately 57.81% from that of approximately RMB48,753,000 of the previous year, which was mainly due to the decrease in the receipt of government grants and the bank interest income as compared with the previous year.

### ***Administrative Expenses***

During the Reporting Period, administrative expenses from our operations were approximately RMB69,360,000, representing a decrease of approximately 6.93% as compared to approximately RMB74,521,000 of last year. Such decrease in administrative expenses was mainly attributable to the surveying and mapping fees, asset valuation fees, audit fees, financial adviser's fees, attorney's fee and printing fees incurred from the acquisition of Deshang and Shennan Expressway and there was no such expenses incurred during the reporting period. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, transportation expenses and professional fees.

### ***Impairment Losses on Contract Assets***

During the reporting period, the impairment losses on contract assets was approximately RMB1,720,000, representing an increase of approximately 1769.57% from RMB92,000 in the previous year, mainly attributable to the increase in the expected credit losses on contract assets.

### ***Other Expenses***

During the Reporting Period, other expenses were approximately RMB4,306,000, representing a decrease of approximately 72.48% as compared to approximately RMB15,647,000 of last year, which was mainly attributable to the decrease in loss on disposal of property, plant and equipment and intangible assets from those of the previous year.

### ***Finance Costs***

During the Reporting Period, our finance costs were approximately RMB127,408,000, representing an increase of approximately 10.94% as compared to approximately RMB114,844,000 of last year. During the Reporting Period, we were required to pay the interest expense arising from the increase in the bank loans due to the acquisition of Deshang and Shennan Expressways, resulting in an increase in the Group's finance costs.

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

During the Reporting Period, our share of profits and losses of an associate was approximately RMB364,000 (corresponding period of 2020: RMB499,000), which represented the share of profits of the Group's associate company in the Reporting Period using equity method. During the Reporting Period, the Group had one associate company operating in the PRC, namely Jinan Xinyue, with 40% of its equity interest held by Shandong Gangtong Construction.

### ***Profit for the Year***

During the Reporting Period, profit attributable to owners of the parent was approximately RMB853,434,000, representing an increase of approximately 37.48% as compared to that of approximately RMB620,776,000 of last year. The increase in profit for the year was primarily attributable to the lower base in 2020 due to sharp drop in toll revenue as a result of the COVID-19 epidemic. In addition, the Group made great efforts in cutting expenditures by the implementation of cost-reduction and efficiency-optimisation measures and utilised its idle funds for wealth management, which enhance its asset value and increased the overall revenue level of the Group.

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

During the Reporting Period, the Group financed its operations and capital expenditures with the Group's internal resources, floating rate bank loans, borrowings from Shandong Hi-Speed Group and proceeds from the Global Offering. As at 31 December 2021, the Group had total loans of approximately RMB2,575,958,000 (31 December 2020: RMB3,257,067,000) which borne floating rate and were denominated in RMB, and total cash and cash equivalents (including bank deposits and cash) of approximately RMB587,477,000 (31 December 2020: 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 31 December 2021, the Group's gearing ratio, as calculated by dividing net debt<sup>(1)</sup> by total capital<sup>(2)</sup>, was approximately 36.96% (2020: 52.33%).

Notes:

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

(2) Total capital = total equity + net debt



### ***Pledge of Assets and Contingent Liabilities***

As at 31 December 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 31 December 2021, the net carrying amount of the toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section) was RMB2,225,078,000. Save as mentioned above, as at 31 December 2021, the Group had no material contingent liabilities.

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

As at 31 December 2021, the Group had a total of 686 (as at 31 December 2020: 687) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB159,482,000 (approximately RMB131,304,000 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 (i.e. pension insurance) for its employee in the PRC. The Group's employees make monthly contributions to the scheme at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of the relevant income, subject to certain ceiling. The State-sponsored retirement scheme is responsible for all post-employment benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All employees are entitled to an additional pension each year aggregating to 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 31 December 2021, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

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

There were no significant investments, material acquisitions or disposal of subsidiaries, associated companies and joint ventures by the Company during the Reporting Period.

## BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB1,995,309,000, representing a year-on-year increase of approximately 18.10%. The Expressway Business remained as the Group's principal business, from which we realised a toll income of approximately RMB1,772,904,000, representing a year-on-year increase of approximately 15.05%; revenue from construction, sales of industrial products, rental income and other services businesses was approximately RMB222,405,000, representing a year-on-year increase of approximately 49.77%. During the Reporting Period, the Group achieved a profit before tax of approximately RMB1,141,820,000, representing a year-on-year increase of approximately 38.02%. Profit for the year was approximately RMB853,434,000 (corresponding period of last year: RMB620,776,000), generating earnings per share of approximately RMB0.43 (corresponding period of last year: RMB0.31).

### Expressway Business

In 2021, the Company further strengthened the operational management of the expressway projects in operation. The traffic volume on the Jihe Expressway increased by 37.40% from approximately 56,700 vehicles per day for the year ended 31 December 2020 to approximately 77,900 vehicles per day during the Reporting Period and the total toll income increased by 18.78% to approximately RMB1,247,118,000 during the Reporting Period. The Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 55,285 and 9,937 vehicles, respectively, per day during the Reporting Period. The Deshang and Shennan Expressways recorded a toll income of RMB525,786,000 during the Reporting Period, representing an increase by 7.05% from that of RMB491,142,000 in 2020. Jihe Expressway, Deshang Expressway and Shennan Expressways connect areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Demand for passenger and freight transportation in the surrounding areas drove the increase in the traffic volume of the Jihe Expressway, Deshang and Shennan Expressways during the Reporting Period.

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

Expressways managed by the Group during the Reporting Period	Total annual volume of passenger vehicle traffic ('000)	Total annual volume of truck and special motor vehicle traffic ('000)	Total annual traffic volume ('000)	Daily average traffic volume <sup>(2)</sup>
The Jihe Expressway	19,077.20	9,365.76	28,442.96	77,925.92
The Deshang Expressway (Liaocheng – Fan County section)	11,315.27	8,863.75	20,179.03	55,285.01
The Shennan Expressway	1,913.15	1,713.82	3,626.97	9,936.90

Notes:

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

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

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

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

- (2) 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) With the commissioning of the adjacent expressways and national and provincial highways, for instance, G220 Expressway was gradually completed and open to traffic, Shenfan Road (莘范路) (G240 Expressway, Shen County – Fan County section) was open to traffic in October 2020 and Dongliang Expressway (董梁高速) was commissioned in October 2020, Gaodong Expressway (高東高速) was commissioned in December 2020, the traffic flows of the Jihe Expressway and the Deshang and Shennan Expressways were diverted to a certain extent.
- (2) The Jinan-Taian section of the Beijing-Taiwan Expressway (from the Taishan Stack Interchange to the Yinjialin Stack Interchange) will resume traffic to Beijing in the form of single-lane restriction. On 18 November 2020, Beijing-Taiwan Jinan direction opened, which has adverse impact on the traffic flow and tolls of Jihe Expressway.
- (3) The waiver of toll fees pursuant to the notice of the relevant PRC competent transportation authority during the prevention and control of Covid-19 pandemic in 2020 from 0:00 on 17 February 2020 to 0:00 6 May 2020 resulted in the decrease of toll fees. With the pandemic being effectively contained, the tolls income resumed back to normal in 2021, representing an increase as compared with 2020.

### ***Toll Collection Policy***

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



In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial 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; and pursuant to the Notice of Shandong Provincial Department of Communications, Shandong Provincial Development and Reform Commission and Shandong Provincial Department of Finance on Extending the Period of Toll Discounts for Some Trucks on Expressway (《山東省交通廳山東省發展和改革委員會山東省財政廳關於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》), the policy will be extended to 31 December 2021; (vi) 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 of approximately RMB 3,206,000. As at the end of the Reporting Period, there were 49 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of our revenue during the Reporting Period. Meanwhile, the Group also actively nurtured new drivers for profit growth for the Advertisement Business.

## **Construction Business**

### ***Shandong Gangtong Construction***

During the reporting period, Shandong Gangtong Construction recorded engineering service revenue of approximately RMB135,947,000, which was mainly revenue from highway engineering construction, expressway maintenance and municipal greening engineering services.

Shandong Gangtong Construction endeavoured in organisation and coordination of construction work, strengthened personnel and equipment management, scientifically formulated work procedures and safety protection measures, strictly abided by safe and civilized construction, strengthened on-site inspection, ensured operation safety, and solidly promoted the orderly advancement of various projects. Shandong Gangtong Construction combined the completed Rose Road south extension and the emergency roads for the prevention of floods from the Yellow River vigorously strives for the greening construction projects, committed to expanding the municipal greening market, and successfully completed the landscape projects of the road sections from Hushankou to Beishixia in Pingyin County, Jinan Municipal and the construction of demonstration area in front of the two greening sidewalks of the Yellow River greenway.

Shandong Gangtong Construction will further enhance the connection and communication with local governments, intensify its effort in market expansion, strengthen external cooperation, vigorously secure construction projects, make rational arrangement for construction plan, speed up the construction progress of awarded projects and promote high-quality corporate development.

### **Sale of Industrial Products**

During the reporting period, the revenue of Shandong Shunguang Industrial from the sale of industrial products was RMB 34,878,000, which was mainly the income from trading business.

### **R&E Project on Jihe Expressway**

The R&E project on Jihe Expressway starts from the Yinjialin Hub Interchange of the Jiguang Expressway and ends at the Wangguantun Hub Interchange where Jiguang Expressway and Rilan Expressway intersect, with an estimated total investment of RMB18.6 billion and total length of 152.7 kilometers. It will be expanded from the two-way four-lane to two-way eight-lane which has a designed speed of 120km/h and a planned construction period of 30 months. It is an important part of the expressway network of “nine verticals, five horizontals, one circle, seven radiations and multiple connections (九縱五橫一環七射多連)” in Shandong province, an important channel connecting the provincial capital economic circle and the Lunan economic circle, and also an important passage out of Shandong province.

The project has been prepared since May 2021 when the Company promptly established the Jihe Expressway Reconstruction and Expansion Project Office, carefully organized, scientifically planned, and fully promoted the project, and completed 15 key efforts including the pre-examination of land use, planning and site selection, cultural relics and archaeology, social stability risk assessment, project approval, and preliminary design in only 7 months. On 30 December 2021, the Company released the results of the project construction bid evaluation, successfully held the project construction start-up activity, successfully completed the goal of starting the reconstruction and expansion project of the Jinan-Heze section of the Jihe Expressway in 2021. For further details of the R&E Project on Jihe Expressway, please refer to the announcements dated 3 May 2021 and 30 September 2021 and the circular dated 15 November 2021 of the Company .

## **PROSPECTS**

During the “14th Five-Year Plan” and the beginning of the new journey of building a modern socialist China in an all-round way, the Company has closely followed the changes by always adhering to the general work principle of seeking progress while maintaining stability, and achieved good development. In 2022, the Company will achieve new breakthroughs, show new achievements and attain new development. The Company will insist on consolidating and expanding the principal Expressway Business by focusing on high-quality expressway assets, committing to promote key highway projects, strengthening the advantages of the principal business, and enhancing the Company’s operating income. The company will actively focus on the main business industry chain and value chain, expand into new markets, cultivate new models, continuously optimizes the industrial layout, cultivate new profit growth drivers, strengthen the main business and industry. The company will prepare well in expressway operation and management, strengthen road safety and service quality, conduct maintenance operations meticulously and accurately, deal with and eliminate hidden dangers in a timely manner, and improve road safety assurance and road traffic efficiency. It will continue to promote the construction of intelligent highways, optimize information management systems, strengthen digital and information-based means, and improve road traffic efficiency. Relying on the platform of the Stock Exchange, the Company will make full use of Hong Kong’s status as an international financial center, consolidate the industry-leading development foundation of expressway operators, continuously optimize capital operations, and build a new development pattern around its corporate positioning and strategic goals to drive upgrades and continuously create more value and returns for shareholders and investors.

## **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 announcement.

## **AUDIT COMMITTEE AND SCOPE OF WORK OF THE GROUP’S EXTERNAL AUDITOR**

The Audit Committee has reviewed the annual results of our Group for the year ended 31 December 2021 and is of the view that our Group has complied with all applicable accounting standards and requirements and made adequate disclosure.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's external auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021.

The work performed by the Group's external auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by the Group's external auditor on this announcement.

As at the date of this announcement, to the best knowledge of the Board, information contained in this announcement is consistent with the information that will be contained in the 2021 annual report of the Company.

## **REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES**

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code. For the year, the Company has been in compliance with the applicable code provisions of the Corporate Governance Code.

## **COMPLIANCE WITH THE MODEL CODE**

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

## **CLOSURES OF REGISTER OF MEMBERS**

### **2021 AGM**

The 2021 AGM is scheduled to be held on Tuesday, 28 June 2022. For the purpose of determining the Shareholders' entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Saturday, 28 May 2022 to Tuesday, 28 June 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2021 AGM, unregistered Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, city, Shandong, PRC (for Domestic Shareholders), not later than 4:30 p.m. on Friday, 27 May 2022.

## **Proposed Distribution of 2021 Final Dividend**

The Board proposes a payment of a cash dividend of RMB0.18 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB360,000,000 (tax inclusive) as the 2021 Final Dividend for the year ended 31 December 2021. The proposal for such dividend payment is subject to consideration and approval by Shareholders at the 2021 AGM, and, if approved, such dividend will be payable to the Domestic Shareholders and H Shareholders whose names appeared on the register of members of the Company on Monday, 11 July 2022. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Shareholders and H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for the payment of dividend in Hong Kong dollars shall be the average middle rate for the five working days preceding the date of declaration of such dividend at the 2021 AGM (i.e., Tuesday, 28 June 2022) as announced by the People's Bank of China. The share register of the Company will be closed from Wednesday, 6 July 2022 to Monday, 11 July 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2021 Final Dividend distribution, Shareholders who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC (for Domestic Shareholders) by no later than 4:30 p.m. on Tuesday, 5 July 2022.

The Board has scheduled to distribute the 2021 Final Dividend on Wednesday, 31 August 2022. Announcement(s) will be published by the Company as soon as practicable and in accordance with the Listing Rules for any changes to the expected date of dividend payment.

## **Tax on Dividends**

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



within the prescribed time limit and confirmed by the competent tax authorities after submission by the Company, the Company does not withhold any enterprise income tax. Resident enterprises shall file tax return on their own and pay income tax in accordance with the law in respect of their income derived in the PRC.

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

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

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Tuesday, 5 July 2022, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People’s Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

## DEFINITIONS

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

“2021 AGM”	the 2021 annual general meeting of the Company to be convened and held on Tuesday, 28 June 2021 or the adjournment thereof
“2021 Final Dividend”	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.18 (tax inclusive) per Share
“Advertisement Business”	the business of the Group in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deshang and Shennan Expressways”	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometers

“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 are subscribed for and paid up in RMB
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Group”, “us” or “we”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS”	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan to Heze 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 kilometers
“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



“Lending Banks”	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Sub-branch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), and Huaxia Bank Co., Ltd. Huaiyin Sub – branch (華夏銀行濟南槐蔭支行), being the banks providing financing facilities for the construction projects of the Deshang and Shennan Expressways
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PBOC”	the People’s Bank of China, the central bank of the PRC
“Reporting Period” or “Year”	the year ended 31 December 2020
“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 km by 2035
“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement
“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 announcement, is an existing controlling Shareholder
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the Shandong Province (山東省政府國有資產監督管理委員會)
“Shandong Shunguang Industrial”	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC, a wholly owned subsidiary of the Company as at the date of this announcement

“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Shennan Expressway”	an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan – Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometers
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the supervisory committee of the Company established pursuant to the Company Law of the People’s Republic of China
“%”	per cent

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

Shandong, the PRC  
30 March 2022

*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. Du Zhongming and Mr. Shi Jinglei; and the independent non-executive Directors are Mr. Cheng Xuezhan, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.*