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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)

**2022 ANNUAL RESULTS
AND
PROPOSED DISTRIBUTION OF 2022 FINAL DIVIDEND**

HIGHLIGHTS

- Revenue increased by approximately 46.91% to approximately RMB2,931,294 thousand (compared with the revenue from operations of last year).
- Profit and total comprehensive income for the year attributable to owners of the parent decreased by approximately 8.41% to approximately RMB781,691 thousand (compared with the profit and total comprehensive income for the year attributable to owners of the parent of last year).
- Earnings per Share was approximately RMB0.39.
- Recommendation of payment of the 2022 Final Dividend of RMB0.18 (tax inclusive) per Share.

2022 ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, prepared in accordance with the HKFRS, together with comparative figures for the preceding financial year:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
REVENUE	3	2,931,294	1,995,309
Cost of sales		<u>(1,771,907)</u>	<u>(671,628)</u>
Gross profit		1,159,387	1,323,681
Other income and gains	3	56,396	20,569
Administrative expenses		(77,233)	(69,360)
Impairment losses on contract assets		(1,233)	(1,720)
Other expenses		(12,763)	(4,306)
Finance costs	5	(95,739)	(127,408)
Share of profits and losses:			
Joint ventures		9,609	–
An associate		<u>3,097</u>	<u>364</u>
PROFIT BEFORE TAX	4	1,041,521	1,141,820
Income tax expense	6	<u>(261,465)</u>	<u>(288,386)</u>
PROFIT FOR THE YEAR		<u>780,056</u>	<u>853,434</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>780,056</u>	<u>853,434</u>
Attributable to:			
Owners of the parent		781,691	853,434
Non-controlling interest		<u>(1,635)</u>	<u>–</u>
		<u>780,056</u>	<u>853,434</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	8	<u>RMB0.39</u>	<u>RMB0.43</u>
Diluted			
– For profit for the year	8	<u>RMB0.39</u>	<u>RMB0.43</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2022*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		293,588	309,030
Investment properties		20,290	19,674
Right-of-use assets	<i>9(a)</i>	94,921	73,718
Intangible assets		6,304,274	5,376,248
Investment in joint ventures	<i>10</i>	261,002	–
Investment in an associate	<i>11</i>	24,434	21,338
Deferred tax assets	<i>12</i>	4,081	1,941
Long-term deposits		410,196	–
Prepayments, other receivables and other assets	<i>13</i>	586,479	2,787
		<hr/>	<hr/>
Total non-current assets		7,999,265	5,804,736
CURRENT ASSETS			
Inventories		17,355	3,917
Trade and bills receivables	<i>14</i>	419,143	132,733
Contract assets	<i>15</i>	70,887	59,009
Other current assets	<i>13</i>	167,931	10,414
Prepayments and other receivables	<i>13</i>	52,892	34,600
Financial assets at fair value through profit or loss	<i>16</i>	1,004,873	–
Restricted cash		609	–
Cash and cash equivalents		679,607	587,477
		<hr/>	<hr/>
Total current assets		2,413,297	828,150
CURRENT LIABILITIES			
Trade and bills payables	<i>17</i>	311,943	148,645
Other payables	<i>18</i>	311,590	178,344
Interest-bearing bank and other borrowings		339,843	352,148
Lease liabilities	<i>9(b)</i>	3,235	2,870
Tax payable		18,635	54,472
Provision		123,024	163,800
		<hr/>	<hr/>
Total current liabilities		1,108,270	900,279
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2022*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		<u>1,305,027</u>	<u>(72,129)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,304,292</u>	<u>5,732,607</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		3,425,261	2,223,810
Lease liabilities	9(b)	70,206	73,041
Other payables	18	20,908	22,562
Deferred tax liabilities	12	57,465	20,940
Deferred income		<u>2,462</u>	<u>–</u>
Total non-current liabilities		<u>3,576,302</u>	<u>2,340,353</u>
Net assets		<u>5,727,990</u>	<u>3,392,254</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,000,000	2,000,000
Financial instruments classified as equity		1,812,283	–
Other reserves		225,758	147,198
Retained earnings		<u>1,571,531</u>	<u>1,245,056</u>
		5,609,572	3,392,254
Non-controlling interest		<u>118,418</u>	<u>–</u>
Total equity		<u>5,727,990</u>	<u>3,392,254</u>

NOTES TO FINANCIAL INFORMATION

31 December 2022

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, 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:

1.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

- (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 interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises (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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

- (a) Amendments to HKFRS 3 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* (the “Conceptual Framework”) 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contract</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁵ 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.

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17.

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liability for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. 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.

2. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the board of directors of the Company who makes strategic decisions. Management has determined the operating segments based on these reports.

Considering that the revenue and profit from the businesses of rental income, construction services provided to third parties and other services are immaterial compared to the expressway business, the chief operating decision-maker reviews the performance of the Group as a whole. In addition, all of the Group's operations are located in Mainland China. Accordingly, the Group has only one single reportable operating segment and no discrete operating segment financial information is available, other than the entity-wide disclosures.

Geographical information

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

Information about major customers

During the years ended 31 December 2022, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue (2021: nil).

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Expressway business	1,559,161	1,772,904
Construction business	1,091,834	180,516
Sale of industrial products	266,993	34,878
Other businesses	8,643	2,234
<i>Revenue from other sources</i>		
Rental income*	4,663	4,777
	<u>2,931,294</u>	<u>1,995,309</u>

* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB4,020,000 and fixed payments of RMB643,000 during the year ended 31 December 2022.

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of revenue		
Expressway business	1,559,161	1,772,904
Construction business	1,091,834	180,516
Sale of industrial products	266,993	34,878
Other businesses	8,643	2,234
	<u>2,926,631</u>	<u>1,990,532</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	1,834,797	1,810,016
Over time	1,091,834	180,516
	<u>2,926,631</u>	<u>1,990,532</u>

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) *Disaggregated revenue information (continued)*

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Construction services	<u>28</u>	<u>689</u>

(b) *Performance obligations*

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

Expressway business

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

Construction business

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

Sale of industrial products

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

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sale of industrial products (continued)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	5,544,202	5,899,154
After one year	<u>12,036,132</u>	<u>12,778,427</u>
	<u>17,580,334</u>	<u>18,677,581</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Other income and gains</u>		
Bank interest income	36,786	4,295
Interest income from financial assets at fair value through profit or loss	8,324	8,965
Changes in fair value from financial assets at fair value through profit or loss	4,873	–
Compensation income for road damages	4,105	4,258
Government grants	1,193	1,295
Others	<u>1,115</u>	<u>1,756</u>
Other income and gains	<u>56,396</u>	<u>20,569</u>

4. PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Construction costs		1,088,920	145,391
Cost of inventories sold		253,998	34,533
Maintenance and resurfacing costs and provisions		–	35,542
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and allowances, social security and benefits		136,470	124,165
Defined contribution pension schemes		18,558	16,986
Other staff benefits		11,120	8,073
		166,148	149,224
Depreciation in respect of:			
– property, plant and equipment		56,431	48,780
less: capitalisation		(521)	–
– investment properties		914	885
– right-of-use assets	<i>9</i>	4,748	4,455
Amortisation of intangible assets in respect of:			
– service concession arrangements		237,628	289,950
– software		1,480	1,400
(Gain)/loss on disposal of items of property, plant and equipment		(284)	31
Impairment of trade receivables	<i>14</i>	8,803	4,051
Impairment provided/(reversed) of financial assets included			
in prepayments and other receivables	<i>13</i>	16	(169)
Impairment of contract assets	<i>15</i>	1,233	1,720
Auditor's remuneration		1,560	1,580
Foreign exchange differences, net		3,874	355
Interest income from financial assets at fair value through profit or loss	<i>3</i>	(8,324)	(8,965)
Fair value gains from financial assets at fair value through profit or loss	<i>3</i>	(4,873)	–
Bank interest income	<i>3</i>	(36,786)	(4,295)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on interest-bearing bank borrowings and other loans	91,099	122,559
Interest on lease liabilities (note 9(b))	3,534	3,666
Accreted interest on amounts due to Shandong Hi-Speed	1,106	1,183
	95,739	127,408

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 (2021: nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% (2021: 25%) of the assessable profits during the year.

	2022 RMB'000	2021 RMB'000
Current – Mainland China		
Charge for the year	226,600	275,761
Underprovision in prior years	480	3,104
Deferred (note 12)	34,385	9,521
	<hr/>	<hr/>
Total tax charge for the year	261,465	288,386
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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:

	2022 RMB'000	2021 RMB'000
Profit before tax	1,041,521	1,141,820
	<hr/>	<hr/>
Tax at the statutory tax rate at 25%	260,381	285,455
Effect of different tax rate of a subsidiary	13	(326)
Income not subject to tax	(774)	(91)
Expenses not deductible for tax	193	34
Tax losses not recognised	1,046	54
Tax losses utilised from previous periods	–	(9)
Adjustments in respect of tax of previous periods	480	3,104
Others	126	165
	<hr/>	<hr/>
Tax charge at the Group's effective tax rate	261,465	288,386
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final – RMB0.180 (2021: 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 amounts 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 (2021: 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 2022 (2021: nil).

9. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Annual payments were made to acquire the leased land from the owners with lease periods of 20 to 50 years, and ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 6 years. The Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

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

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2021			
Cost	75,763	2,410	78,173
Depreciation charge	<u>(3,687)</u>	<u>(768)</u>	<u>(4,455)</u>
Net carrying amount	<u><u>72,076</u></u>	<u><u>1,642</u></u>	<u><u>73,718</u></u>
As at 31 December 2021 and 1 January 2022			
Additions	25,315	636	25,951
Depreciation charge	<u>(3,932)</u>	<u>(816)</u>	<u>(4,748)</u>
As at 31 December 2022	<u><u>93,459</u></u>	<u><u>1,462</u></u>	<u><u>94,921</u></u>

9. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at 1 January	75,911	78,839
New lease	636	–
Accretion of interest recognised during the year	3,534	3,666
Payments	<u>(6,640)</u>	<u>(6,594)</u>
Carrying amount at 31 December	<u><u>73,441</u></u>	<u><u>75,911</u></u>
Analysed into:		
Current portion	3,235	2,870
Non-current portion	<u><u>70,206</u></u>	<u><u>73,041</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on lease liabilities	3,534	3,666
Depreciation charge of right-of-use assets	<u>4,748</u>	<u>4,455</u>
Total amount recognised in profit or loss	<u><u>8,282</u></u>	<u><u>8,121</u></u>

9. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties consisting of 15 (2021: 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 RMB4,663,000 (2021: RMB4,777,000), details of which are included in note 3 to the financial statements.

At 31 December 2022, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	1,463	2,828
After one year but within two years	339	1,371
After two years but within three years	163	1,018
After three years but within four years	23	753
After four years but within five years	–	274
After five years	–	272
	<hr/> 1,988 <hr/>	<hr/> 6,516 <hr/>

10. INVESTMENT IN JOINT VENTURES

	2022 RMB'000	2021 <i>RMB'000</i>
Share of net assets	261,002	—

Particulars of the Group's joint venture is as follows:

Name	Particulars of capital invested <i>RMB'000</i>	Place of registration and business	Percentage of ownership interest	Voting power	Principal activity
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)	Paid-up capital of 261,000	PRC/Mainland China	99.99	50	Business service industry
Huamin Lucai Phase I (Qingdao) Industrial Investment Fund Partnership (Limited Partnership) ("Huamin Fund") (note (a))	Paid-up capital of 173,755	PRC/Mainland China	99.99	50	Business service industry

The above investment is directly held through a wholly-owned subsidiary of the Company.

Note:

- (a) As at 31 December 2022, Huamin Fund indirectly held the Company's perpetual bonds amounting to RMB173,755,000. The Group recognised the investment in joint ventures and perpetual bonds on the net base.

Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership), which is considered a material joint venture of the group, and is accounted for using the equity method.

10. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership) adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022 RMB'000
Cash and cash equivalents	534
Other current assets	<u>10,883</u>
Current assets	<u>11,417</u>
Non-current assets	261,000
Non-current liabilities	<u>(11,405)</u>
Net assets	<u><u>261,012</u></u>

Reconciliation to the Group's interest in the joint venture:

Proportion of the Group's ownership	99.99%
Group's share of net assets of the joint venture	261,002
Carrying amount of the investment	<u><u>261,002</u></u>

	2022 RMB'000
Administrative expenses	(261)
Interest income	2
Profit for the year	8,153
Total comprehensive income for the year	<u>8,153</u>
Share of the joint venture's profit for the year	<u><u>7,894</u></u>

The following table illustrates the aggregate financial information of the Group's joint venture that are not individually material:

	2022 RMB'000
Share of the joint venture's profit for the year	1,715
Share of the joint venture's total comprehensive income	<u><u>1,715</u></u>

11. INVESTMENT IN AN ASSOCIATE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Share of net assets	<u>24,434</u>	<u>21,338</u>

Particulars of the Group's associates are as follows:

Name	Particulars of capital invested <i>RMB'000</i>	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Jinan Xinyue New Road Material Research and Development Co., Ltd.	Subscribed capital of 30,000	PRC/ Mainland China	40	Material research and development

The Group's shareholdings in Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Xinyue Material") is held through a wholly-owned subsidiary of the Company.

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

Xinyue Material is a strategic partner of the Group engaged in the research and development of materials used for road maintenance and construction and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Xinyue Material adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current assets	51,943	42,506
Non-current assets	29,101	30,597
Current liabilities	<u>(19,958)</u>	<u>(19,758)</u>
Net assets	<u>61,086</u>	<u>53,345</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	24,434	21,338
Carrying amount of the investment	<u>24,434</u>	<u>21,338</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	38,258	34,046
Profit for the year	7,742	910
Total comprehensive income for the year	<u>7,742</u>	<u>910</u>
Share of the associate's profit for the year	<u>3,097</u>	<u>364</u>

12. 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>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Total <i>RMB'000</i>
At 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 (note 6)	(3,246)	(587)	193	(171)	1,526	1,352	-	-	(933)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	40,942	3,003	4,201	8	1,526	1,989	-	-	51,669
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 6)	(10,194)	(692)	(1,385)	-	1,032	2,495	299	606	(7,839)
Gross deferred tax assets at 31 December 2022	<u>30,748</u>	<u>2,311</u>	<u>2,816</u>	<u>8</u>	<u>2,558</u>	<u>4,484</u>	<u>299</u>	<u>606</u>	<u>43,830</u>

12. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations <i>RMB'000</i>	Property, plant and equipment depreciation difference between accounting and tax regulations <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Fair value adjustment of financial assets at fair value through profit or loss <i>RMB'000</i>	Unrealized investment gains <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	61,431	7	–	642	–	62,080
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year (note 6)	<u>8,258</u>	<u>(7)</u>	<u>979</u>	<u>(642)</u>	<u>–</u>	<u>8,588</u>
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	69,689	–	979	–	–	70,668
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 6)	<u>23,762</u>	<u>437</u>	<u>700</u>	<u>1,218</u>	<u>429</u>	<u>26,546</u>
Gross deferred tax liabilities at 31 December 2022	<u><u>93,451</u></u>	<u><u>437</u></u>	<u><u>1,679</u></u>	<u><u>1,218</u></u>	<u><u>429</u></u>	<u><u>97,214</u></u>

12. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	4,081	1,941
Net deferred tax liabilities recognised in the consolidated statement of financial position	57,465	20,940
Net deferred tax liabilities	53,384	18,999

The Group has tax losses arising in Hong Kong of RMB443,000 during 2022 (2021: RMB646,000) that are not available for offsetting against future taxable profits of the company in which the losses arose because the company still had no operation activities as at 31 December 2022.

The Group also has tax losses arising in Mainland China of RMB4,087,000 during 2022 (2021: nil) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Tax losses not recognised as deferred assets	6,968	2,881

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Current portion</i>		
Prepayment to suppliers	30,818	31,819
Deposits and other receivables	22,304	2,995
Other assets	<u>167,931</u>	<u>10,414</u>
Impairment allowance	<u>(230)</u>	<u>(214)</u>
	<u>220,823</u>	<u>45,014</u>
<i>Non-current portion</i>		
Prepayment to suppliers and other assets	<u>586,479</u>	<u>2,787</u>
	<u>807,302</u>	<u>47,801</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	214	383
Impairment losses, net	<u>16</u>	<u>(169)</u>
At end of year	<u>230</u>	<u>214</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 2022 was 0.5% (2021: 7.15%). 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.

14. TRADE AND BILLS RECEIVABLES

Trade receivables are analysed by category as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	431,871	138,658
Impairment	<u>(14,928)</u>	<u>(6,125)</u>
Trade receivables, net	416,943	132,533
Bills receivables	<u>2,200</u>	<u>200</u>
	<u>419,143</u>	<u>132,733</u>

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

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

Trade receivables from sale of industrial products are expected to be settled within one month (2021: within one month).

Toll road income receivables from the Shandong Transport Department are expected to be settled within one month (2021: within one month).

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables from sale of industrial products and toll road income are non-interest-bearing, and trade receivables from construction contracting are interest-bearing.

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	301,971	92,868
one to two years	77,158	39,665
two to three years	37,814	–
	416,943	132,533

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	6,125	2,074
Impairment losses, net (note 4)	8,803	4,051
At end of year	14,928	6,125

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. 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 was no past due balance. Management keeps reviewing and assessing the creditworthiness of the Group's existing customer on an ongoing basis. No expected credit losses were provided as the directors consider that the expected credit risks of toll road income receivables are minimal.

Considering the creditworthiness of the customers and for the fact of having no past business dealing in relation with construction contracting and sale of industrial products, the Group measures expected credit losses of the construction contracting receivables and sale of industrial products receivables by reference to the practices of the same industry.

15. CONTRACT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract assets arising from:		
Construction services	73,932	60,821
Impairment	(3,045)	(1,812)
	70,887	59,009

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. 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 2022 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 2022, RMB1,233,000 (2021: RMB1,720,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 14 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2022 and 2021 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	21,671	60,821
After one year	52,261	–
	73,932	60,821

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	1,812	92
Impairment losses (note 4)	1,233	1,720
At end of year	3,045	1,812

15. CONTRACT ASSETS (CONTINUED)

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

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

	2022	2021
Expected credit loss rate	4%	3%
Gross carrying amount (RMB'000)	73,678	60,371
Expected credit losses (RMB'000)	<u>3,045</u>	<u>1,812</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Structured bank deposits	<u>1,004,873</u>	<u>–</u>

The structured bank deposits products were provided 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.

17. TRADE AND BILLS PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	207,331	98,459
One to two years	78,756	47,560
Over two years	25,856	2,626
	311,943	148,645

Included in the trade payables are amounts totalling RMB143,355,000 (2021: RMB22,912,000) 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 one and two years, credit periods granted by each individual supplier or contractor are on a case-by-case basis and are set out in the respective contracts.

18. OTHER PAYABLES

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Deposits received	(b)	16,000	68,647
Due to related parties		72,500	57,100
Staff salaries and welfare		42,681	39,517
Other taxes and surcharge payables		29,391	16,124
Advance from customers		8,627	9,797
Other payables and accruals	(b)	14,936	5,067
Payables for purchases of long-term assets	(b)	10,396	4,558
Contract liabilities	(a)	137,967	96
		332,498	200,906
Less: non-current portion		20,908	22,562
Current portion		311,590	178,344

Notes:

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Sale of industrial products	137,899	–
Construction services	68	96
Total contract liabilities	137,967	96

Contract liabilities include advances received to deliver industrial products and render installation and construction services. The increase in contract liabilities in 2022 was mainly due to the increase in advances received from customers in relation to the provision of sale of industrial products at the end of the year.

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

19. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have taken place after the end of reporting period.

OVERVIEW OF BUSINESS DEVELOPMENT

Macroeconomic Environment and Social Development

The global economy is still at a stage of profound adjustment at present, with slowing overall economic growth, escalating geopolitical conflicts and high and volatile energy prices. It will take time for domestic economy to recover. There are still relatively high pressures from demand contraction, supply shock and expected deterioration, meanwhile, favourable conditions are building up. The 20th National Congress of the Communist Party of the PRC has clarified that high-quality development is of the top priority and a series of strategic decisions such as deepening reform of State-owned enterprises, promoting novel industrialisation and facilitating coordinated regional development have been made, which brings with certainty a new historic opportunity for China's economic development. As the epidemic prevention and control has entered a new stage, the PRC has been adjusting and optimising epidemic prevention policy to minimise the impact of the epidemic on society and strengthening the smoothening of the flow of production elements. The market vitality could be accelerated and society mobility is expected to be increased significantly. Mass transport and logistics transport are evolving towards value-adding, personalisation, high valued and other trends. The “double-carbon” strategy has boosted the rapid rise of green material and green technology. Meanwhile, China has also put forward the objective to carry out infrastructure construction in moderately accelerated manner. In 2023, there will be great potential and achievements in seizing the industry opportunities and enhancing revenue for the Company.

Review of Our Operations

Scientifically-led innovation strategy, transformation and development breaks the momentum. Following the establishment of the development ideology of “leading by principal business and industry-finance integration and two-wheel drive (主業引領、產融結合、雙輪驅動)” by the Company in the second half of 2021, the Company adhered to the confidence and determination of transformation and development, and deepened the value-added services guided by customer demand in 2022. “Traffic attraction (引車上路)” brought about its effectiveness to increase revenue, meanwhile, the core advantages of its principal businesses were consolidated and expanded. At the same time, the Company has built the dual platforms of capital operation and industrial management, carried out industrial investment, financial investment, fund operation and others, exploited a new market in relation to industrial operation business, made active plans for distributed resources economy, and seized market opportunities from upstream and downstream markets of expressways. The motivation from the “two-wheel drive” has seen its effects, and the expected goals of increasing revenue, optimising structure and benefiting in the long-term would be achieved.

Adhering to the leadership of the principal businesses and steady quality improvement of highway operations. First, the traffic attraction model was exploited vigorously. The Company deepened the “high speed +” value-added services, strengthened the “traffic attraction” effect and broadened the road economy; second, management quality and efficiency and leaking stoppage effects were improved effectively. Through strengthened management of the toll ticketing and card payment, assessment activities for demonstrative and benchmark toll stations and special inspection activities such as green channel, large transportation, overrun, inter-provincial fee escape were organised and carried out to deepen the road and network cooperation with others units following the principle of “collaborative effort for a point of abnormality (一地異常、多方聯動)”, which had greatly enhanced the effectiveness of leaking stoppage and evasion of toll payment; third, the road appearance and traffic efficiency have been improved significantly; the Company continued to improve its ability of emergency handling and enhance its expertise in daily engineering maintenance, carried on to conduct emergency drills on maintaining smooth traffic flow, epidemic prevention and control, summer flood control and snow removal and skid resistance, and made scientific and efficient use of the intelligent platforms for road and network management, which led to a significant year-on-year decrease in the occurrence of traffic accident handling.

The R&E Project makes a strong breakthrough, and the project construction is progressing steadily and orderly. First, the reconstruction and expansion project has made great efforts to overcome difficulties. The Company has launched the “hundred days of hard work (百日大幹)” labor competition, set off an upsurge of comprehensive construction, achieved a series of major milestone victories, and successfully achieved comprehensive and substantive construction; second, the Company improved the quality and reduced the cost of the construction of the R&E Project. The Company determined the research direction of “road and bridge stability, pavement durability, construction safety, and low-carbon intelligence (路橋穩定、路面耐久、施工安全、低碳智慧)”, promoted the application of a batch of new process materials, repeatedly studied and optimised the design schemes of slope protection in the excavation section, and actively coordinated and promoted the pipeline relocation scheme, leading to a significant saving of project cost whilst improving the project quality and creating a high-quality boutique project.

Cohesion aids development, and corporate culture shows value. The Company has set the vision goal of “becoming a first-class integrated service provider of expressway (成為一流高速公路綜合服務商)”, established the corporate culture system of “smart and beauty of Qilu (智美齊魯行)”, the Company anthem of “beauty is ahead (《美好就在前方》)” and the specifications of the Company’s visionary system, carried out a series of publicity and implementation training and story collection activities, which integrated the cultural management with enterprise operation and management practices, gave play to the guidance and cohesion of corporate culture, and highlighted the role of corporate culture in terms of the employee cohesion and leading the development.

Reform and innovation have been advanced in depth, and fine management has become increasingly efficient. Focusing on the high-quality development goals and transformation and development needs of the Company, we further promoted three institutional reforms and the “management enhancement year” campaign, carried out the quality and efficiency improvement project with reference to first-class enterprises in the industry, focused on the key points, complemented the weaknesses, strengthened the foundation, improved the quality and efficiency, evaluated, formulated and revised the rules and regulations, insisted the adherence to the system of managing human resources and affairs, built a scientific and reasonable organisational structure system, a market-oriented evaluation and incentive system, an optimising talent team system, a safe and compliant development guarantee system, and an unique corporate culture system. The continuous development of its internal vitality and constant exhibition of the effectiveness of its reform provided important protection and core support to the Company’s long-term and efficient development.

Outlook

Optimising the expressway operation capacity and highlighting Qilu Expressway brand. The Company will endeavour to focus on customers’ diversified demand orientation, deeply explore and extend the potential of “high-speed +” model, further optimise service measures, and improve road appearance and traffic efficiency. It will explore and implement differentiated charging initiatives to increase traffic and income with brand stickiness, actively explore and promote the construction of smart toll stations and improve the construction and application of digital intelligent operation platform, strengthen the alliance cooperation mechanism, and build a long-term working mechanism for congestion control and fee evasion.

Strengthening the two-wheel drive and making two strong and professional platforms. In the new year, the “dual platforms” of capital operation and industrial operation will speed up efforts to build a large-scale and strong brand. First, the capital operation platform should strengthen the construction of professional teams, actively go out, explore high-quality projects through multiple channels, and promote the healthy and sustainable development of industrial investment; second, the industrial operation platform further clarifies its responsibilities and business scope, locate the right track, prepare a long-term layout, and make every effort to explore the external market to achieve a strong start of the emerging business industry.

Closely following the R&E Project, promoting the construction of projects with high quality. First, the Company will coordinate the start points of the whole line, optimise the construction plan and on-site management, catch up with the construction schedule and achieve breakthroughs, so as to create favourable conditions for the early completion and operation of the project; secondly, it will establish a long-term perspective and brand awareness, work hard and well on quality supervision, raw material inspection, safety and environmental protection, technical research, coordination and scheduling, service guarantee and other work, and endeavor to create high-quality projects; third, it will strengthen the construction of smart transportation and green expressways, draw on the mature experience and practices of smart expressways, seize the new vantage point of intelligent transportation development, and create demonstration highlights with the characteristics of the Jihe Expressway.

Consolidating the foundation of management and improving internal momentum for high-quality development. First, the Company will make every effort to implement the system. In 2022, the Company sorted out, formulated and revised certain rules and regulations. In the new year, it will strictly enhance process consolidation and implementation supervision, and constantly revise the shortage in the actual operation of the system. Secondly, it will continue to consolidate and enhance the results of the “Management Enhancement Year” campaign and the quality and efficiency enhancement project for first-class enterprises in the industry, so as to promote management thinking, innovation in management methods and improvement in management standards. Third, it will build a talents team with high quality, firmly establish the concept of talent-led development, broaden the channels for the introduction of external talents, build a talent team organically comprising expertise at all levels and age groups, strengthen the management of position and scientific employment, achieve the full utilisation of each talent and their ability, and create a good atmosphere for the full burst of human resources potential. Fourth, it will strengthen the innovation and development power of enterprises, increase the research and application of new products, new technologies and new processes, actively create an atmosphere of innovation among all staff, explore the incentive mechanism for innovation, and promote the formation of a vibrant situation of innovation and vitality of all employees.

Adhering to the bottom line of safe development and improving the level of safety management. The Company will improve the risk prevention and control system in all aspects and at all levels throughout the process, continuously endeavour efforts for risk prevention and hidden danger elimination, enhance supervision and assessment, establish a long-term mechanism for emergency management and catch a close eye on key areas and the management and control of safety in key periods. Adhering to precautions with a focus on prevention, the Company will refine the requirements and measures for safety work, and eliminate safety incidents to provide solid guarantee for the high-quality development of the Company while seeking for progress amid stability.

In the new year, the Company will step up its efforts with precision and closely focus on the vision and goal of “becoming a leading provider of expressway comprehensive services”, improve its core competitiveness in all aspects with a firm belief and give back to shareholders and the society with remarkable results.

For further details of the Group’s future business development, please refer to the sub-section headed “Management Discussion and Analysis – Business Review – Prospects” in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operations

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

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

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

Revenue

During the Reporting Period, the Group recorded a revenue from operations of approximately RMB2,931,294,000, representing an increase of approximately 46.91% as compared with that of approximately RMB1,995,309,000 of last year. Such revenue from operations included the revenue from the Expressway Business which amounted to approximately RMB1,559,161,000, representing a decrease of approximately 12.06% as compared with that of approximately RMB1,772,904,000 of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB1,089,928,000, representing a decrease of approximately 12.60% as compared with that of approximately RMB1,247,118,000 of last year. The toll income from the Deshang and Shennan Expressways was approximately RMB469,233,000, representing a decrease of approximately 10.76% compared with that of approximately RMB525,786,000 of last year.

Traffic volume on the Jihe Expressway during the Reporting Period decreased by 10.96% from approximately 77,900 vehicles per day of last year to approximately 69,400 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) decreased by 16.84% from approximately 55,300 vehicles per day of last year to approximately 46,000 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway decreased by 10.33% from approximately 9,900 vehicles per day of last year to approximately 8,900 vehicles per day during the Reporting Period. Such decreases in these toll incomes and traffic volumes were mainly attributable to the severe pandemic situation in some regions of the PRC during the Reporting Period, as well as the implementation of various pandemic prevention and control measures, which led to a general decrease in social operation and people’s travel and had a significant impact on the traffic flow on expressways. Besides, the increasing oil prices had led to the decrease of the traffic volumes of large trucks in the expressway network, causing a decrease in the profit sharing derived therefrom. For further details of changes in the above expressway traffic volume during the period, please refer to the sub-section headed “Business Review – Expressway Business” under this section.

During the Reporting Period, the Group recognised revenue from the R&E Project and other construction business of approximately RMB1,091,834,000, representing an increase of approximately 504.84% as compared with that of approximately RMB180,516,000 of last year, which was mainly attributable to the significant increase in the Group’s construction revenue from the R&E Project pursuant to the requirements of “HKFRS 15 – Revenue from Contracts with Customers”. For details of the construction business, please refer to the sub-section headed “Business Review – Construction Business” under this section.

In addition, during the Reporting Period, the Group recorded the revenue from the sales of industrial products of approximately RMB266,993,000, representing an increase of approximately 665.51% as compared with that of approximately RMB34,878,000 of last year, which was mainly due to the income arising from the active expansion of the trading business by Shandong Shunguang Industrial during the Reporting Period. Meanwhile, the Group recorded an income from other service business of approximately RMB8,643,000, representing an increase of approximately 286.88% as compared to approximately RMB2,234,000 of last year, mainly attributable to the sale of materials by Shandong Gangtong Construction during the Reporting Period.

During the Reporting Period, the Group recorded the rental income of approximately RMB4,663,000, representing a decrease of approximately 2.38% from that of RMB4,777,000 of last year. The rental income mainly represented the service income arising from leasing of the advertisement billboards along both sides of the Jihe Expressway of approximately RMB2,944,000 (representing a decrease of approximately 2.38% from that of approximately RMB3,206,000 of last year), and the rental income from the leasing of the communication signal transmission pipelines along the expressways and investment properties of approximately RMB1,719,000 (representing an increase of approximately 9.42% from that of RMB1,571,000 of last year).

Cost of Sales and Gross Profit

During the Reporting Period, the cost of sales and gross profit of the Group were approximately RMB1,771,907,000 and RMB1,159,387,000 respectively, as compared to those of approximately RMB671,628,000 and RMB1,323,681,000 of last year, representing an increase of approximately 163.82% and a decrease of approximately 12.41%, respectively. Gross profit margin of the Group was approximately 39.55% for the Reporting Period, representing a year-on-year decrease of approximately 26.79 percentage points as compared with that of approximately 66.34% of last year. Cost of sales of the Group during the Reporting Period were mainly incurred from the amortisation of intangible assets, staff costs, construction costs, and maintenance costs and provisions for the Jihe Expressway and the Deshang and Shennan Expressways. During the Reporting Period, the significant increase in the cost of sales as compared to that of last year was mainly due to that in accordance with the applicable accounting standard, the corresponding amount of the costs of construction business would be recognised at the same time when the revenue for the construction business was recognised, therefore, there was a corresponding increase in terms of the construction business revenue and the costs of construction business during the Reporting Period. Meanwhile, whereas the Group's revenue from the Expressway Business (that is, the toll income) recorded a decrease from that of the previous year, it had led to a decrease in terms of both the Group's gross profit and gross margin for the Reporting Period when compared to those of the previous year.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB56,396,000, which mainly comprised gains on investment in structured deposits, bank interest income and income from road damage compensation. The year-on-year increase of approximately 174.18% in other income and gains from approximately RMB20,569,000 of last year was mainly attributable to the improved capital management efficiency of the Group when compared with that of last year.

Administrative Expenses

During the Reporting Period, administrative expenses from the Group's operations were approximately RMB77,233,000, representing an increase of approximately 11.35% as compared to approximately RMB69,360,000 of last year. Such increase in administrative expenses was mainly attributable to the increase in expenses pertaining to the Group's establishment of its subsidiary, namely Qilu Expressway (Shandong) Assembly Co., Ltd. (齊魯高速(山東)裝配有限公司) during the Reporting Period. The administrative expenses of the Group mainly comprised salaries and wages, depreciation of property, plant and equipment, transportation expenses and professional fees.

Impairment Losses on Contract Assets

During the Reporting Period, the impairment losses on contract assets were approximately RMB1,233,000, representing a decrease of approximately 28.31% from RMB1,720,000 of the previous year, mainly attributable to the change in the maturity structure of the Group's contract assets.

Other Expenses

During the Reporting Period, the other expenses of the Group were approximately RMB12,763,000, representing an increase of approximately 196.40% as compared to approximately RMB4,306,000 of last year, which was mainly attributable to the foreign exchange loss and the increase of provision for credit impairment loss when compared to those of the previous year.

Finance Costs

During the Reporting Period, the finance costs of the Group were approximately RMB95,739,000, representing a decrease of approximately 24.86% as compared to approximately RMB127,408,000 of last year. The year-on-year decrease in the Group's finance cost was mainly attributable to the reduction of the bank borrowing interest rates and the repayment of the principals of certain bank loans.

Share of Profits and Losses of an Associate and Joint Ventures

During the Reporting Period, the Group's share of profit of an associate and joint ventures were approximately RMB12,706,000 (last year: approximately RMB364,000), representing the share of profit of the Group's associate and joint ventures in the Reporting Period accounted for under the equity method of accounting.

Net Profit Attributable to the Parent During the Year

During the Reporting Period, the profit attributable to owners of the parent was approximately RMB781,691,000, representing a decrease of approximately 8.41% as compared to that of approximately RMB853,434,000 for last year. The decrease in profit during the Reporting Period was primarily attributable to the decrease in toll income during the Reporting Period as compared with the previous year.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operations and capital expenditures with the Group's internal resources, floating-rate bank loans and borrowings from Shandong Hi-Speed Group. As at 31 December 2022, the Group had total loans of approximately RMB3,765,104,000 (as at 31 December 2021: approximately RMB2,575,958,000), interest of which were accrued based on floating rates and were denominated in RMB, and total cash and cash equivalents (including bank deposits and cash) of approximately RMB679,607,000 (as at 31 December 2021: approximately RMB587,477,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet its daily operation needs and capital requirements for future development. As at 31 December 2022, the Group's gearing ratio, as calculated by dividing net debt⁽¹⁾ by total capital⁽²⁾, was approximately 35.49% (as at 31 December 2021: 36.96%).

Notes:

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

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

Pledge of Assets and Contingent Liabilities

As at 31 December 2022, the Group's toll collection rights in respect of the Deshang and Shennan Expressways were pledged to secure a bank loan granted by a financing bank for the related construction project financing. As at 31 December 2022, the net carrying amount of the toll collection rights in respect of (i) the Deshang Expressway (Liaocheng – Fan County section) and (ii) Shennan Expressway was RMB2,197,838,000 and RMB780,446,000, respectively. Save as mentioned above, as at 31 December 2022, the Group had no material pledge of assets or contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 31 December 2022, the Group had a total of 693 (as at 31 December 2021: 686) employees in the PRC, including management staff, engineers and technicians, etc.. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB172,481,000 (approximately RMB159,482,000 for last year).

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

Foreign Exchange Risk

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

As at 31 December 2022, 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

As at 31 December 2022, the Group subscribed for the principal-guaranteed WMP with floating return WMP issued by Bank of Beijing with its self-owned funds in the subscription of the principal of RMB600,000,000. The principal of the WMP was centrally managed by the Bank of Beijing, while the return was invested in derivative products linked to the spot exchange rate of EUR against USD. The return of the product was linked to the exchange rate performance of EUR against USD in the international market on each business day in Tokyo during the term of the WMP. Bank of Beijing guaranteed the principal of the WMP.

During the Reporting Period, the Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position. In order to enhance the capital efficiency as well as the return from capital operation, the Group reasonably utilised the idle cash resources of the Company available for the purpose of cash management to subscribe for the WMP issued by the Bank of Beijing to earn additional income without affecting its normal operations, taking into account, among others, (i) the relatively low level of risk; (ii) the expected fixed rate of return; and (iii) the short term to maturity. The Group implemented adequate and appropriate internal control procedures to ensure the subscription would not affect the working capital or the operations of the Group. The consideration for the subscription of the WMP was determined on commercial terms upon arm's length negotiations between the Company and the Bank of Beijing after taking into account the idle cash resources of the Group available for the purpose of cash management, as well as the risk level, investment terms and annualised rate of return of the product. In addition, the WMP offered a better potential return to the Group when compared to the deposit interest rates generally offered by commercial banks in the PRC. As such, the WMP was on normal commercial terms and was fair and reasonable, and the transaction thereunder was in the interests of the Company and the Shareholders as a whole.

As at 31 December 2022, the balance of the financial asset at fair value through profit or loss amounted to approximately RMB605 million, representing 5.81% of total assets of the Group. The following table sets forth the details of financial asset at fair value through profit or loss held by the Group as at 31 December 2022:

Financial assets at fair value through profit or loss	Subscription Date	Deposit period	Start date	End date	Expected minimum annualised rate of return	Expected maximum annualised rate of return	Fair value as at 31 December 2022 (RMB'000)
Principal-guaranteed WMP with floating return issued by the Bank of Beijing	23 September 2022	101 days	27 September 2022	6 January 2023	1.35%	3.2%	604,997

For further details of the Company's subscription of the principal-guaranteed WMP with floating return issued by the Bank of Beijing, please refer to the announcement of the Company dated 23 September 2022.

Save as mentioned above, as at 31 December 2022, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 31 December 2022.

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

The Company did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period and as at 31 December 2022.

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB2,931,294,000, representing a year-on-year increase of approximately 46.91%. The Expressway Business remained as the Group's principal business, from which the Group realised a toll income of approximately RMB1,559,161,000, representing a year-on-year decrease of approximately 12.06%; the revenue from the construction business, sales of industrial products, rental income and other services businesses was approximately RMB1,372,133,000, representing a year-on-year increase of approximately 516.95%. During the Reporting Period, the Group recorded profit before tax of approximately RMB1,041,521,000, representing a year-on-year decrease of approximately 8.78%. Profit for the year was approximately RMB780,056,000 (last year: approximately RMB853,434,000), generating earnings per share of approximately RMB0.39 (last year: approximately RMB0.43).

Expressway Business

In 2022, the Company continued to strengthen the operational management of the Jihe Expressway and the Deshang and Shennan Expressways projects. The Jihe Expressway and the Deshang and Shennan Expressways are important components of the Shandong 9-5-1-7 Expressway Network, connecting to areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Due to the severe pandemic prevention and control measures in places in certain regions of the PRC arising from the challenge of the pandemic in 2022, together with the increasing oil prices and other factors leading to the decrease of the traffic volume of large trucks in the expressway network, there was an overall decrease in the traffic volume of the Jihe Expressway, the Deshang and Shennan Expressways during the Reporting Period as compared with the previous year. The Jihe Expressway, and the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded daily traffic volume of approximately 69,400, 46,000 and 8,900 vehicle trips, respectively, during the Reporting Period. The Group recorded a toll income of RMB1,089,928,000 from the Jihe Expressway during the Reporting Period, representing a decrease of approximately 12.60% from that of RMB1,247,118,000 of last year. The Deshang and Shennan Expressways recorded a toll income of approximately RMB469,233,000 during the Reporting Period, representing a decrease of 10.76% from that of approximately RMB525,786,000 of last year.

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

Expressways managed by the Group during the Reporting Period	Total volume of passenger vehicle traffic throughout the year ('000)	Total volume of truck and special motor vehicle traffic throughout the year ('000)	Total traffic volume throughout the year ('000)	Daily average traffic volume⁽²⁾
The Jihe Expressway	16,167	9,158	25,325	69,384
The Deshang Expressway (Liaocheng – Fan County section)	8,490	8,291	16,781	45,976
The Shennan Expressway	1,501	1,751	3,252	8,911

Notes:

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

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

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

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

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

In addition to the foregoing, the traffic volume and the corresponding toll income of the Jihe Expressway and the Deshang and Shennan Expressways during the Reporting Period were also affected by a combination of the following factors:

- (1) In 2022, the severe pandemic situation in some regions of the PRC as well as the implementation of various pandemic prevention and control measures led to a general decrease in social operation and people's travel, and had a significant impact on the traffic flow on expressways;
- (2) Due to the increasing oil prices and other factors, the traffic volume of large trucks in the expressway network and the relevant profit sharing derived therefrom recorded a corresponding decrease; and

- (3) The construction of the reconstruction and expansion from Yinjialin Junction to Taishan Junction of the Beijing-Taiwan Expressway was completed on 12 October 2022 with two-way traffic and an upgraded road environment. As a competing road section, the traffic on the Beijing-Taiwan Expressway diverted part of the vehicles on the Jihe Expressway, resulting in a reduction of the traffic flow of the Jihe Expressway.

Toll Collection Policy

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

In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial Transport Department on Clarifying Expressway ETC Preferential Policy (Lu Jiao Cai [2019] No.26) (《山東省交通運輸廳關於明確高速公路ETC優惠政策的通知》(魯交財[2019]26號)), a toll fee discount of 5% is given to all ETC vehicles driving on expressways in Shandong province; (ii) the toll exemption for vehicles of the military and armed police forces and the like; (iii) the toll exemption for small passenger vehicles with 7 seats or fewer on major festivals and holidays; (iv) the toll exemption for vehicles legally fully loaded with the products within the national Catalogue of Fresh and Alive Agricultural Products (《鮮活農產品品種目錄》); (v) the toll exemptions for vehicles as required by other national policies; (vi) according to the requirements of the Notice of the Shandong Provincial Department of Transportation, Shandong Provincial Development and Reform Commission, Shandong Provincial Department of Finance on the Implementation of Expressway Toll Discount for Some Freight Cars (Lu Jiao Fa [2020] No. 10)(《山東省交通運輸廳山東省發展和改革委員會山東省財政廳關於對部分貨車實行高速公路通行費折扣優惠的通知》(魯交發[2020]10號)), from 1 September 2020, the toll discount of 85% will be implemented for freight car users who drive the expressway in our province and install ETC package equipment; (vii) according to the relevant national deployment, 10% discount will be given to trucks passing through toll roads (including airport expressway, toll bridge and tunnel) in the province from 0:00 on 1 October to 24:00 on 31 December 2022 on the basis of the existing paid toll; and (viii) according to the relevant requirements of the Notice of Shandong Provincial Department of Transportation on the Temporary Exemption of Expressway Vehicle Toll for Nucleic Acid Detection Vehicles in the Service Area (Lu Jiao Cai Han [2022] No. 3)(《山東省交通運輸廳關於對服務區核酸檢測工作車輛暫免徵收高速公路車輛通行費的通知》魯交財函[2022]3號), the expressway vehicle toll were temporarily exempted from the nucleic acid detection vehicles in the service area from 31 March to 30 April 2022.

Rental Income

During the Reporting Period, the Group's rental income mainly represented the revenue from the Advertisement Business and the leasing of the communication signal transmission pipeline along the expressways and the investment properties of approximately RMB4,663,000. 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 the Group's revenue during the Reporting Period. Meanwhile, the Group was actively nurturing new revenue growth points for the leasing business.

Construction Business

During the Reporting Period, the Group recognised construction business revenue related to the R&E Project and other construction projects of approximately RMB1,070,371,000, and recognised engineering construction business revenue arising from the provision of construction services of RMB21,463,000, totaling approximately RMB1,091,834,000.

During the Reporting Period, in accordance with "HKFRS 15 – Revenue from Contracts with Customers", the Group recognised revenue of RMB1,070,371,000 from the R&E Project of the Jihe Expressway and the Liaocheng West Interchange construction and engineering project. In addition to the above, the Group performed the construction and engineering services business through Shandong Gangtong Construction. In 2022, Shandong Gangtong Construction was contracted to undertake the final part of the road project to combat flooding of the Yellow River at Pinyin County, the Dong'a Heishan Production Bridge (東阿黑山生產橋) and reservoir dam project, and the Pinyin County Hui River water management project, etc.. As a next step forward, it will further strengthen communication with local governments, actively explore the market, strengthen external cooperation, vigorously strive for project construction and reasonably arrange for construction plans to promote the high-quality development of the Group.

Sale of Industrial Products

During the Reporting Period, the revenue of the Group attributable to the sale of industrial products was approximately RMB266,993,000, which represented mainly the income from processing and selling of geomaterials, engineering materials and other industrial products and trading business.

R&E Project of the Jihe Expressway

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

On 20 May 2022 and 27 July 2022, the Company passed the Board resolutions and entered into the construction and supervision contracts with the successful bidders in respect of the main works under the R&E Project. The Company also passed a Board resolution on 27 July 2022 and entered into the services provision framework agreement, the general procurement framework agreement and the general sales framework agreement with Shandong Hi-Speed Group for the provision of labour subcontracting, project consultation and management services for the R&E Project, and the procurement and provision of building materials and construction equipment required for the construction of the expressway, so as to guarantee the resources supply of the project construction. Relevant agreements were considered and approved by the Shareholders at the extraordinary general meetings held on 19 August 2022 and 29 November 2022 pursuant to the requirements under the Listing Rules. As at 31 December 2022, the major works of the R&E Project have been comprehensively commenced.

For further details of the R&E Project of the Jihe Expressway, please refer to the announcements dated 3 May 2021, 30 September 2021, 11 October 2021, 11 March 2022, 20 May 2022, 27 July 2022, 19 August 2022 and 29 November 2022 and the circulars dated 15 November 2021, 20 July 2022 and 31 October 2022 of the Company, as well as the sub-section headed “Events after the Reporting Period” under this section.

PROSPECTS

2023 is the first year to comprehensively study and implement the spirit of the 20th CPC National Congress, and also the key year to deepen the implementation of the Company’s new strategy for transformation and development, and to fully commence the construction of R&E Project. It is of great significance to perform well throughout the year. In the new year, the Company will focus on the vision any goal of “becoming a leading provider of expressway comprehensive services”, scientifically seizes the starting point of promoting high-quality development, adheres to the leadership of party building, maintains strategic focus, highlights efficiency orientation, deepens reform and innovation, improves profitability, comprehensively enhances the core competitiveness of the Company, and strides towards the goal of first-class expressway comprehensive service provider. Also, the Company will focus on the improvement of profitability and further enhance the competitiveness of high-quality development; focus on the carrying out of the reconstruction and expansion projects to further enhance the driving force of high-quality development; focus on the implementation of reform and innovation to achieve results, and further strengthen the internal power of high-quality development; focus on management improvement to further enhance the support of high-quality development; focus on shaping spiritual strength and further enhance the combat effectiveness of high-quality development; and focus on the implementation of party building responsibilities and further enhance the leadership of high-quality development. All employees shall strive hard to proceed with reference to the goals of the full-year reform and development, to be collectively accountable to the high quality development of Qilu Expressway, and to reward the Shareholders and society with outstanding performance.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement dated 7 February 2023 of the Company. Whereas the R&E Project adopts the “half-width closure for construction, half-width one-way traffic” model. The half-width closure for construction is implemented in three stages, involving the alternate closure of the left and right traffic ways. Upon consultation with the relevant competent authorities, the Company is implementing the relevant traffic control measures for the first and second stages of closure for construction from 16 February 2023 to 31 December 2023. During the period, the right traffic way of the Jihe Expressway (the Jinan to Heze traffic direction) is closed, and the vehicles along the Jinan to Heze traffic direction are diverted to the left traffic way, while those intending to travel along the Heze to Jinan traffic direction are not permitted to enter the Jihe Expressway, and have to bypass other expressways or national/provincial highways. To facilitate the first and second stages of closure for construction, all entrances at the toll station in Changqing University Town and all exits and entrances at the toll stations in Xiaoli, Pingyin South and Jiexiang West are closed. In light of the above circumstances, the Company expects that the traffic flow of and the toll income derived from the Jihe Expressway for the year ending 31 December 2023 may be affected as a result.

Save as disclosed above, 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 2022 and is of the view that the 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 the related notes thereto for the year ended 31 December 2022 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 2022.

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 2022 annual report of the Company.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all applicable code provisions of the Corporate Governance Code. Code provision B.2.2 of the Corporate Governance Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The terms of the second session of the Board of the Company had expired on 18 November 2022. As the re-election of the Board is still in preparation, in order to ensure the continuity of the relevant work of the Company, the re-election of the Board has been postponed. All members of the Board have continued to fulfill their respective duties and responsibilities in accordance with the requirements of the laws and regulations and the articles of association of the Company until the re-election are completed. The Company will publish an announcement and a circular containing particulars of the candidates for new members of the Board as soon as practicable. Save as disclosed above, throughout the Year, the Company has been in compliance with the applicable code provisions in Part 2 of the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

During the Year, the Company had adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all the Directors and Supervisors, it was confirmed that the Directors and Supervisors 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

2022 AGM

The 2022 AGM is scheduled to be held on Tuesday, 27 June 2023. For the purpose of determining the Shareholders' entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Friday, 26 May 2023 to Tuesday, 27 June 2023 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2022 AGM, unregistered Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan city, Shandong Province, the PRC (for Domestic Shareholders), not later than 4:30 p.m. on Thursday, 25 May 2023.

Proposed Distribution of the 2022 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 2022 Final Dividend for the year ended 31 December 2022. The proposal for such dividend payment is subject to consideration and approval by the Shareholders at the 2022 AGM, and, if approved, such dividend will be payable to the Domestic Shareholders and the H Shareholders whose names appeared on the register of members of the Company on Monday, 10 July 2023. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Shareholders and the H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for the payment of dividend in Hong Kong dollars shall be the average middle rate for the five working days preceding the date of declaration of such dividend at the 2022 AGM (that is, Tuesday, 27 June 2023) as announced by the People's Bank of China. The share register of the Company will be closed from Tuesday, 4 July 2023 to Monday, 10 July 2023 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2022 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 Monday, 3 July 2023.

The Board has scheduled to distribute the 2022 Final Dividend on Thursday, 31 August 2023. 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 non-resident enterprise, the Company withhold the enterprise income tax at the uniform rate of 10% in accordance with the law; and when distributing dividends to holders of H shares who are resident enterprises set up in China or are set up in accordance with the law of a foreign country (region) but whose actual administrative institution is in China with a legal opinion submitted within the prescribed time limit and confirmed by the competent tax authorities after submission by the Company, the Company does not withhold any enterprise income tax. Resident enterprises shall file tax return on their own and pay income tax in accordance with the law in respect of their income derived in the PRC.

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

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

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 Monday, 3 July 2023, 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:

“2022 AGM”	the 2022 annual general meeting of the Company to be convened and held on Tuesday, 27 June 2023 or the adjournment thereof
“2022 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
“Bank of Beijing”	Bank of Beijing Co., Ltd. Jinan Branch (北京銀行股份有限公司濟南分行), a joint stock limited company incorporated in the PRC with limited liability
“Board”	the board of Directors
“China”, “PRC” or “State”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China 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)
“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
“EUR”	Euros, the lawful currency of the European Union Member States
“Expressway Business”	the Group’s 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”	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 – Guangzhou Expressway (Jinan to Heze Section), the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometers
“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
“R&E Project”	the reconstruction and expansion project of the Jihe Expressway

“Reporting Period” or “Year”	the year ended 31 December 2022
“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
“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
“USD”	United States dollars, the lawful currency of the United States of America

“WMP” the wealth management product under the agreement entered into between the Company and the Bank of Beijing on 23 September 2022 in relation to the subscription for a structured deposit product in the principal amount of RMB600,000,000

“%” per cent

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

Shandong, the PRC
24 March 2023

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.