



齐鲁高速公路股份有限公司

QILU EXPRESSWAY COMPANY LIMITED

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

Stock Code: 1576



INTERIM REPORT **2024**

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Definitions

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

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| “2023 AGM” | the 2023 annual general meeting of the Company convened and held on 26 June 2024 |
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of Directors of the Company |
| “Company” | Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company established in the PRC with limited liability on 6 December 2016 |
| “Company Law” | the Company Law of the People’s Republic of China (《中華人民共和國公司法》) |
| “controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Corporate Governance Code” | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| “Deshang and Shennan Expressways” | collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway |
| “Deshang Expressway (Liaocheng – Fan County section)” | an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometres |
| “Director(s)” | director(s) of the Company |
| “Domestic Unlisted Share(s)” | ordinary Share(s) in the original share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in RMB, and have been converted to H Shares through the H Share full circulation on 27 June 2024 |
| “ETC” | electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment |
| “Expressway Business” | our business in relation to the maintenance, operation and management of the Jihe Expressway, the Deshang and Shennan Expressways |
| “Group”, “us” or “we” | the Company and, except where the context otherwise requires, all of its subsidiaries |
| “H Share(s)” | overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange |
| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

Definitions

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| “Jihe Expressway” | Jinan (濟南) to Heze (菏澤) Expressway, the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a total length of approximately 153.6 kilometres |
| “Lending Bank(s)” | collectively, China Construction Bank Corporation Jinan Zhenzhuquan Sub-branch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Shungeng Sub-branch (中國銀行股份有限公司濟南舜耕支行), and Industrial and Commercial Bank of China Limited Jinan Shizhong Sub-branch (中國工商銀行股份有限公司濟南市中支行) |
| “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 C3 to the Listing Rules |
| “PRC” or “State” | the People’s Republic of China, which for the purpose of this report, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan |
| “Qilu Expressway (Hong Kong)” | Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “Qilu Expressway Assembly” | Qilu Expressway (Shandong) Assembly Company Limited (齊魯高速(山東)裝配有限公司), a limited liability company established under the laws of the PRC and a subsidiary held by the Company through Qilu Expressway (Hong Kong) as to 60% of its equity interest as at the date of this report |
| “Qilu Expressway Investment” | Qilu Expressway (Shandong) Investment Management Co., Ltd. (齊魯高速(山東)投資管理有限公司), a company established under the PRC laws with limited liability, and a wholly-owned subsidiary of the Company as at the date of this report |
| “R&E Project” | the reconstruction and expansion project of the Jihe Expressway |
| “Reporting Period” | the six months ended 30 June 2024 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “Shandong 9-5-1-7 Expressway Network” | the “nine-vertical; five-traverse; one-ring and seven-radials and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Integrated Transport Network Middle-to-Long Term Development Plan (2018-2035) (《山東省綜合交通網中長期發展規劃(2018-2035年)》) promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 kilometres by 2035 |
| “Shandong Gangtong Construction” | Shandong Gangtong Construction Co., Ltd. (山東港通建設有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this report |

Definitions

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

Corporate Information

REGISTERED NAME OF THE COMPANY

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

LEGAL REPRESENTATIVE

Mr. Wang Zhenjiang

BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

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

(3) Independent Non-executive Directors

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

BOARD COMMITTEES

(1) Audit Committee

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

(2) Remuneration and Appraisal Committee

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

(3) Nomination Committee

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

(4) Strategy Committee

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

SUPERVISORY COMMITTEE

(1) Shareholder Representative Supervisors

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

(2) Employee Supervisors

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

(3) Independent Supervisors

Mr. Meng Qinghui
Mr. Dong Ensheng

Corporate Information

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young

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979 King's Road, Quarry Bay, Hong Kong

LEGAL ADVISER AS TO PRC LAW

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LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong

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

REGISTERED ADDRESS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

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

COMPANY WEBSITE

www.qlecl.com

STOCK CODE

1576

Management Discussion and Analysis

FINANCIAL REVIEW

Operations

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

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

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

Revenue

During the Reporting Period, we recognised revenue from operations of approximately RMB2,807,598,000, representing an increase of approximately 69.45% compared with that of approximately RMB1,656,842,000 in the corresponding period of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB230,140,000, representing a decrease of approximately 33.79% compared with that of approximately RMB347,572,000 in the corresponding period of last year. Our toll income from the Deshang Expressway (Liaocheng – Fan County section) amounted to approximately RMB230,860,000, representing a decrease of approximately 7.46% as compared with that of RMB249,462,000 for the corresponding period of last year, while toll income from the Shennan Expressway amounted to approximately RMB22,503,000, representing a decrease of approximately 13.58% as compared with that of RMB26,039,000 for the corresponding period of last year. Traffic volume on the Jihe Expressway during the Reporting Period decreased from approximately 48,300 vehicles per day during the six months ended 30 June 2023 to approximately 31,200 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) decreased from approximately 58,700 vehicles per day during the six months ended 30 June 2023 to approximately 52,900 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway decreased from approximately 11,600 vehicles per day during the six months ended 30 June 2023 to approximately 10,100 vehicles per day during the Reporting Period. Such decreases in the toll income and total traffic volume were mainly attributable to the half-width traffic of the main line due to the construction of the R&E Project of the Jihe Expressway, the temporary closure of certain toll stations and the closure of certain interchanges leading to the significant decrease in the traffic volume of the Jihe Expressway and a material impact on the toll income. Meanwhile, the continuous optimization of national/provincial highways has resulted in the decrease in the traffic volume of the Deshang and Shennan Expressways during the Reporting Period. For further details of the change in traffic volume of the above expressways during the period, please refer to the sub-section headed "Business Review – Expressway Business" under this section.

During the Reporting Period, the Group recognised revenue from engineering construction business and sales of industrial products relating to construction activities of approximately RMB2,322,692,000, representing an increase of approximately 125.03% compared with that of approximately RMB1,032,166,000 in the corresponding period of last year, which was mainly due to the increase in the construction revenue recognised from the implementation of the R&E Project of the Jihe Expressway and the revenue generated from trading business of construction materials carried out by Shandong Shunguang Industrial, Qilu Expressway Assembly and Shandong Gangtong Construction. Meanwhile, the Group recognised income from other service business of approximately RMB411,000, representing an increase of approximately 37.46% as compared with that of approximately RMB299,000 in the corresponding period of last year. For details of the construction business and sale of industrial products carried out by the Group, please refer to the sub-section headed "Business Review – Construction Business and Sale of Industrial Products" under this section.

Management Discussion and Analysis

During the Reporting Period, we recorded a rental income of approximately RMB992,000, representing a decrease of approximately 23.93% compared with that of approximately RMB1,304,000 in the corresponding period of last year, which was mainly attributable to the reduction in income from leasing of the communication signal transmission pipelines and advertisement billboards along the expressways of the Group. During the Reporting Period, the rental income mainly represented (i) the service income from leasing the advertisement billboards along both sides of the Jihe Expressway of approximately RMB322,000, and (ii) the rental income from leasing the communication signal transmission pipelines along the expressways and investment properties of approximately RMB670,000.

Cost of Sales and Gross Profit

During the Reporting Period, our cost of sales and gross profit were approximately RMB2,451,324,000 and RMB356,274,000 respectively, as compared to those of approximately RMB1,205,961,000 and RMB450,881,000 in the corresponding period of last year, representing a period-on-period increase of approximately 103.27% and a period-on-period decrease of approximately 20.98% respectively. Gross profit margin of the Group was approximately 12.69% for the Reporting Period, representing a period-on-period decrease of approximately 15 percentage points as compared with approximately 27.21% in the corresponding period of last year. During the Reporting Period, the Group's cost of sales mainly included amortisation of intangible assets, staff costs and construction costs. During the Reporting Period, the increase in the cost of sales as compared to that of the corresponding period of last year was mainly due to the increase in costs of construction business due to the progression of the R&E Project of the Jihe Expressway. Whereas the Group's revenue from the Expressway Business (being the toll income) declined from that of the corresponding period of the previous year, together with the increase in the construction costs associated with the R&E Project of the Jihe Expressway, thereby leading a decrease in each of the Group's gross profit and gross profit margin in the Reporting Period when compared to that of the corresponding period of the previous year.

Other Income and Gains

During the Reporting Period, other income and gains were approximately RMB53,580,000 (approximately RMB27,741,000 for the corresponding period of last year), which mainly comprised investment projects income, investment gains from structured deposits, bank interest income and income from road damage compensation. The period-on-period increase in other income and gains was mainly attributable to the increase in investment income generated from the investment products subscribed by the Company.

Administrative Expenses

During the Reporting Period, administrative expenses from our operations were approximately RMB38,840,000, representing an increase of approximately 5.16% as compared to approximately RMB36,934,000 for the corresponding period of last year. The administrative expenses of the Group mainly included salaries and wages, depreciation of property, plant and equipment, travel expenses and fees paid for engaging professional parties. During the Reporting Period, the increase in administrative expenses was mainly attributable to the active business expansion of the Company's subsidiaries Qilu Expressway Assembly and Qilu Expressway Investment during the Reporting Period, resulting in the corresponding increase in management expenses and labour costs.

Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, we recorded impairment losses on financial assets and contract assets of RMB1,730,000 (approximately RMB3,638,000 for the corresponding period of last year), primarily due to recovery of contract assets during the period.

Management Discussion and Analysis

Other Expenses

During the Reporting Period, we recorded other expenses of RMB5,000 (approximately RMB392,000 for the corresponding period of last year), primarily due to foreign exchange loss.

Finance Costs

During the Reporting Period, our finance costs were approximately RMB34,082,000, representing a decrease of approximately 11.14% as compared to approximately RMB38,355,000 for the corresponding period of last year, primarily attributable to the decrease in interest expenses compared with that in the corresponding period of last year after the repayment of bank borrowings and the capitalisation of interest expense of the new bank borrowings of the Group designated for the R&E Project of the Jihe Expressway.

Share of Losses and Profits of an Associate and Joint Ventures

During the Reporting Period, our share of profits of an associate and joint ventures were approximately RMB174,000 (share of profits of approximately RMB3,071,000 for the corresponding period of last year), representing the share of profits of the Group's associate and joint ventures in the Reporting Period accounted for under equity method of accounting.

Net Profit Attributable to Owners of the Parent During the Period

During the Reporting Period, profit attributable to owners of the parent was approximately RMB248,588,000, representing a decrease of approximately 17.27% as compared to that of approximately RMB300,473,000 for the corresponding period of last year. During the Reporting Period, the decrease in profit from our operations was primarily attributable to the reduction in toll income arising from the closure for the construction and half-width traffic of the main line for the R&E Project of the Jihe Expressway.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operations and capital expenditures with the internal resources, floating-rate bank loans and borrowings from Shandong Hi-Speed Group. As at 30 June 2024, the Group had total loans of approximately RMB9,084,170,000 (31 December 2023: approximately RMB7,102,515,000), which were interest bearing at floating rates and denominated in RMB. Total cash and cash equivalents (including bank deposits and cash) were approximately RMB978,077,000 (31 December 2023: approximately RMB398,957,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet daily operation needs and any capital requirements for future development. As at 30 June 2024 and 31 December 2023, the Group's gearing ratio, as calculated by dividing net debt⁽¹⁾ by total capital⁽²⁾, was approximately 58.08% and 53.08%, respectively.

Notes:

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

(2) Total capital = total equity + net debt

Management Discussion and Analysis

Treasury Policies

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

Pledge of Assets and Contingent Liabilities

As at 30 June 2024, the Group's toll collection right in respect of the Deshang and Shennan Expressways was pledged to secure loans granted by the Lending Banks for the related construction project financing. As at 30 June 2024, the net carrying amounts of the toll collection right in respect of (i) the Deshang Expressway (Liaocheng – Fan County section), and (ii) Shennan Expressway were RMB2,058,823,000 and RMB746,341,000, respectively. Save as mentioned above, as at 30 June 2024, the Group had no material contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 30 June 2024, the Group had a total of 672 (as at 30 June 2023: 702) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB108,201,000 (approximately RMB90,326,000 for the corresponding period of last year).

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

Foreign Exchange Risk

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

As at 30 June 2024, the Group did not enter into any hedging arrangements to hedge against exposure to foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

Management Discussion and Analysis

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

The Company did not have any significant investment or material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period. As at 30 June 2024, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 30 June 2024.

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB2,807,598,000, representing a period-on-period increase of approximately 69.45%, of which, toll income was approximately RMB483,503,000, representing a period-on-period decrease of approximately 22.40%; revenue from construction, sales of industrial products, rental income and other services businesses was approximately RMB2,324,095,000, representing a period-on-period increase of approximately 124.82%. During the Reporting Period, the Group achieved gross profit of approximately RMB356,274,000, representing a period-on period decrease of approximately 20.98%. Profit for the period was approximately RMB252,865,000, generating earnings per Share of approximately RMB0.12 (corresponding period of last year: RMB0.15).

Expressway Business

In the first half of 2024, 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 construction of the R&E Project of the Jihe Expressway, half-width traffic of the main line and temporary closure of certain toll stations resulted in the detouring of vehicles, which led to a decrease in the traffic volume of the Jihe Expressway during the Reporting Period. Meanwhile, the continuous optimization of national/provincial highways has resulted in the decrease in the traffic volume of the Deshang and Shennan Expressways during the Reporting Period. The Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 31,200, 52,900 and 10,100 vehicle trips per day, respectively, during the Reporting Period. The Jihe Expressway recorded a toll income of RMB230,140,000 during the Reporting Period, representing a decrease of approximately 33.79% from that of RMB347,572,000 in the corresponding period of last year. The Deshang Expressway (Liaocheng – Fan County section) recorded a toll income of approximately RMB230,860,000, representing a decrease of approximately 7.46% as compared with that of RMB249,462,000 for the corresponding period of last year, while the Shennan Expressway recorded a toll income of approximately RMB22,503,000, representing a decrease of approximately 13.58% as compared with that of RMB26,039,000 for the corresponding period of last year.

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

| Expressways managed by the Group during the Reporting Period | Total volume of passenger vehicle traffic during the Report Period ('000) | Total volume of truck and special motor vehicle traffic during the Report Period ('000) | Total traffic volume during the Report Period ('000) | Daily average traffic volume ⁽²⁾ |
|--------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------|
| The Jihe Expressway | 4,296.70 | 1,382.72 | 5,679.42 | 31,206 |
| The Deshang Expressway (Liaocheng – Fan County section) | 6,012.30 | 3,621.20 | 9,633.50 | 52,931 |
| The Shennan Expressway | 1,133.12 | 706.70 | 1,839.82 | 10,109 |

Notes:

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

Management Discussion and Analysis

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

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

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

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

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

- (1) The implementation of the half-width traffic of the main line of the Jihe Expressway as a result of its closure for site construction for its R&E Project during the Reporting Period, together with the temporary closure of certain toll stations, led to the significant decrease in the traffic volume of the Jihe Expressway, thus resulting in a material impact on the toll income; and
- (2) The continuous optimization of national/provincial highways led to decrease in the traffic volume of the Deshang and Shennan Expressways during the Reporting Period.

Management Discussion and Analysis

Toll Collection Policy

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

In addition, according to the relevant rules and regulations, certain types of vehicles are entitled to toll fee discounts and exemption, including (i) with effect from 1 July 2019, as required by the Notice of the Shandong Provincial Transport Department on Clarifying Expressway ETC Preferential Policy (Lu Jiao Cai [2019] No.26) 《山東省交通運輸廳關於明確高速公路ETC優惠政策的通知》(魯交財[2019]26號)), a toll fee discount of 5% is given to all ETC vehicles driving on expressways in Shandong province; (ii) the toll exemption for vehicles of the military and armed police forces and the like; (iii) the toll exemption for small passenger vehicles with 7 seats or fewer on major festivals and holidays; (iv) the toll exemption for vehicles legally fully loaded with the products within the national Catalogue of Fresh and Alive Agricultural Products 《鮮活農產品品種目錄》; (v) as required by the Notice of the Shandong Provincial Transport Department, Shandong Development and Reform Commission and Shandong Provincial Department of Finance on the Continuous Implementation of Highway Toll Discount for Certain Vehicles" (Lu Jiao Fa [2024] No.1) 《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繼續對部分車輛實行高速公路通行費折扣優惠的通知》(魯交財函[2024]1號)), trucks with ETC equipment installed and passenger coaches which are submitted to the regulatory platform can continue to enjoy a 15% discount toll concession on highways in Shandong Province; and (vi) the toll exemptions for vehicles as required by other national policies.

Rental Income

During the Reporting Period, rental income mainly representing the revenue from the advertisement business and the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties, was approximately RMB992,000. As at the end of the Reporting Period, there were 16 advertisement billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of our revenue during the Reporting Period. Meanwhile, the Group also actively nurtured new drivers for profit growth for the leasing business.

Construction Business and Sale of Industrial Products

During the Reporting Period, the Group recognised revenue from construction business and sale of industrial products of RMB2,322,692,000. The revenue from construction business mainly includes construction income generated from the R&E Project of the Jihe Expressway, revenue from highway engineering construction and municipal greening engineering services. The revenue from the sale of industrial products was mainly the income from trading business of geomaterials, construction equipment, engineering materials and other industrial products.

Management Discussion and Analysis

R&E Project of the Jihe Expressway

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

Upon the main works of the R&E Project of the Jihe Expressway fully commenced, it adopted the overall traffic management plan of “half-width closure for construction, half-width open to traffic” model. The half-width closure for construction is implemented in three stages, involving the alternate closure of the left and right traffic ways. The Company would be implementing the relevant traffic control measures for the first and second stages of closure for construction from 16 February 2023 to 31 December 2023. The half-width road in the Jinan to Heze traffic direction of the Jihe Expressway was closed for construction, and the vehicles originally traveled from that direction would have to bypass other expressways or national/provincial highways. The second stage of the half-width closure for construction has been completed and the other half-width closure for construction has moved on to the third stage. At that stage, the Pingyin South toll station would be closed for construction until March 2024. The exits at the Liangshan toll station would be closed for construction until May 2024. The entrances and exits at the toll stations in Changqing and Dongping would remain open for traffic until March 2024, upon when they would be closed for construction works until 30 September 2024.

During the Reporting Period, the R&E Project of the Jihe Expressway commenced the “strive hard for one hundred days” labour competition (「百日大干」勞動競賽), the main works of the project, the building and construction projects, the mechanical and electrical engineering works, the greening works and the relocation of electric facilities have all made progression simultaneously. During the Reporting Period, an approximately of RMB2.856 billion of investment of this project is completed, and a total of RMB11.801 billion of investment of this project is completed. The percentages of completion of roadbed works, road surface works, bridge and culverts works and traffic safety are 94.83%, 89.36%, 90.02% and 76.21%, respectively. The concreting works for the eight fundamental blocks (0號塊) of Daqing River Bridge, which were the critical determinants of the project, were also completed. The asphalt paving works for the whole main lines of the Changqing section had been completed, leading to the emergence of the embryo of the “two-way eight lanes” highway. Works for the full completion and opening of both ways of the highway are expected to enter the final stage by the end of the year. Meanwhile, with the aim of achieving the goal of “the first zero-carbon national expressway through reconstruction and expansion (全國首條改擴建零碳高速)”, the project has entered the construction and implementation stage, which the simultaneous construction of the main works of the project are being progressed actively. The “zero-carbon” R&E Project of the Jihe Expressway has also been included in the “Ten Major Works on Confronting Energy Conservation in Key Areas of Shandong Province 2024”.

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, 29 November 2022, 7 February 2023 and 20 December 2023 and the circulars dated 15 November 2021, 20 July 2022 and 31 October 2022 of the Company.

Management Discussion and Analysis

PROSPECTS

During the Reporting Period, the Group made every effort in operational productivity, promotion of reform, innovation pursuit, and management reinforcement. It decisively implemented profound transformations, strived for excellence, and undertook measures to reduce costs and enhance efficiency. The Company's reform and development advanced to a new stage.

First, the notable effect of upgrading the main business was observed. During the Reporting Period, we strengthened our marketing efforts to increase revenue, visited 22 major clients including large logistics companies, connected with 18 local cultural and tourism departments as well as scenic spots along our expressways, and launched 12 "Highway+" value-added service packages. We innovated to enhance quality and efficiency, held activities to exhibit innovative achievements in toll operations, and selected 17 outstanding achievements. Along the Jihe Expressway, 6 toll stations have been upgraded based on the "Cloud Toll Collection" standard, while we have developed a Cloud Toll Collection service specification, effectively improving traffic efficiency and experience for drivers and passengers.

Second, the efficiency of emerging industries has doubled. During the Reporting Period, a number of high-quality industrial projects and several fund investment projects were investigated and reserved. Focusing on incremental growth and encompassing the upstream and downstream sectors related to our core business, such as transportation, building materials, and engineering construction, we successfully secured new contracts amounting to RMB150 million in the external market, representing a significant year-on-year increase. The Smart Transportation Industry Park (智慧交通產業園) (Phase I) has commenced large-scale production operations. The land site of 215-acre for the Phase II has been successfully acquired, marking progress for the Qinglongshan I Mine Project into its infrastructure development phase. The Qilu Expressway Assembly Smart Manufacturing Innovation Center (齊魯高速裝配智造創新中) has been established, and the project has been included in the list of key provincial-level projects in Shandong Province.

Third, critical projects have made considerable progress. The R&E Project of the Jihe Expressway has launched a "strive hard for one hundred days" labour competition ("百日大干"勞動競賽). Currently, the completion rate for the roadbed, road surface, and bridge and culvert works all exceed 89%. The outline of the "two-way eight-lane" expressway was visible, with impending full completion and accessibility for traffic by the end of the year. At the same time, the Group focused on the goal of building the "first zero-carbon national expressway through reconstruction and expansion (全國首條改擴建零碳高速)", while promoting the simultaneous construction of the main works of the project. The "Zero-Carbon" R&E Project of the Jihe Expressway has been selected as one of the top ten key energy-saving projects in Shandong Province for 2024.

Fourth, the brand has been enhanced through managing capabilities. During the Reporting Period, the Group highlighted a practical and hands-on strategies. Three ongoing research projects were approved by the Shandong Provincial Department of Transportation, and two research outcomes respectively recognised as Shandong Provincial Local Standards and Provincial Institution of Highways and Transportation Group Standards (省公路學會團體標準). Additionally, the Group obtained one invention patent and ten utility model patents. Shandong Gangtong Construction was awarded dual qualifications for top-tier traffic safety facilities as well as roadbed and road surface. All 900 million shares of Domestic Unlisted Shares were successfully converted to overseas listed shares, achieving full circulation of H Shares. During the Reporting Period, the Company was honoured with the "Corporate Governance Special Contribution Award" by "the 19th Board of Directors of the Chinese Listed Companies – Golden Round Table Award" and the "Future Star of the Listed Company in the Material Industry" by the 2nd Industry Development Forum for Chinese Listed Companies. This demonstrated that the high-quality development efficiency of our Company has been accredited by the capital market.

Management Discussion and Analysis

In the second half of 2024, the Group will heighten its endeavours, progress rapidly and consistently, and move forward with assurance. By introducing new initiatives, delve further, and ascend confidently, the Group will resolutely accomplish the annual tasks and objectives.

Firstly, operating well. By anchoring the core objectives of production and operations, we will collaboratively strive for “three core objectives”, namely establishing service reliability within the headquarters departments, generating profits within affiliated units, and managing costs effectively at the grassroots level. We will deeply explore on each industrial sector in terms of its profit growth area and accumulate the driving force of expressway traffic volume. By accelerating the implantation of reserve projects and intensified its endeavours to expand external markets, we will accelerate the efficiency of business advancement.

Secondly, exceling in the core operations. We will gradually develop a standardized management framework imbued with the distinctive features of Qilu Expressway by delving deeply into enhancing the standardization of highway operation and maintenance. The transition towards a market – and service-centric model for toll operation will be expedited. We will establish a more open and practical integrated industry ecosystem encompassing “highway +” and “toll station +”. Coordination efforts will be directed towards advancing the R&E Project of the Jihe Expressway, aligning quality, safety, cost efficiency, and progress. This will sustain the trend of substantial and rapid construction, aiming to complete the final phase of two-way traffic for the R&E Project of the Jihe Expressway by the end of the year.

Thirdly, focusing on transformation. Emerging industries will prioritize advancements in products, marketing, branding, and services to capture a larger share in external markets. We will utilize investments to stabilize growth, refine our organizational structure, and drive transformation to expedite the phased implementation of existing investment reserve projects. The rapid construction of digital transformation will be a key focus to drive the shift from basic informatization to advanced digitalization, enabling the Company’s industry chain to be intelligently supported and dynamically empowered.

Fourthly, implementing the internal control. We will make concerted efforts to implement rigorous management. By decisively addressing the key challenges in terms of receivables, cost optimization and efficiency enhancement, and safety development, we will aim to expedite the establishment of a comprehensive safety development framework.

Fifthly, strengthening Party building. Through dedicated study and deep understanding of essence of the Third Plenary Session of the 20th Central Committee of the Party, we will aim to comprehensively improve the quality and effectiveness of Party-building. By consistently advancing all-round and stringent Party governance, we will resolutely transform Party building into productivity, competitiveness, and unity.

In the second half of 2024, the Group will accurately grasp the overall situation and fully leverage strategic advantages. By pooling knowledge, resources, and efforts, we will enhance our development speed, quality, as well as efficiency, and collaborate with all stakeholders to collectively forge a new era of high-quality corporate growth.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION AND DISPATCH OF INTERIM REPORT

This report is also published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.qlccl.com), and the 2024 interim report of the Group containing all the information required by the Listing Rules will be dispatched to the Shareholders who have indicated their wish to receive a printed copy and published on the respective websites of the Company and HKEXnews in due course.

Other Information

SHARE CAPITAL

On 27 June 2024, the Company completed the conversion of 900,000,000 Domestic Unlisted Shares into H Shares. As at 30 June 2024, the total issued share capital of the Company amounted to RMB2,000,000,000, totalling 2,000,000,000 H Shares with a nominal value of RMB1.00 each.

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

As at 30 June 2024, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Other Information

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

Notes:

- (1) Shandong Hi-Speed is 70.48% owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the H Shares held by Shandong Hi-Speed under the SFO.
- (2) COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Shipping Group Company Limited. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited*. Therefore, China Shipping Group Company Limited and China COSCO Shipping Corporation Limited* are deemed to be interested in the H Shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.
- (3) Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd. 68.65% shares of China Merchants Expressway Network & Technology Holdings Co., Ltd. are owned by China Merchants Group Limited. Therefore, China Merchants Expressway Network & Technology Holdings Co., Ltd. and China Merchants Group Limited are deemed to be interested in the H Shares held by Cornerstone Holdings Limited under the SFO.
- (4) Guoneng Power Technology & Engineering Co., Ltd. is wholly owned by China Energy Guoyuan Power Co., Ltd.. China Energy Guoyuan Power Co., Ltd. is wholly owned by China Energy Investment Corporation Limited. Therefore, China Energy Guoyuan Power Co., Ltd. and China Energy Investment Corporation Limited are deemed to be interested in the H Shares held by Guoneng Power Technology & Engineering Co., Ltd. under the SFO.

Other Information

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

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

As at 30 June 2024, none of the Directors, Supervisors or chief executives of the Company and their respective associates had, or was deemed to have, any interest or short position in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company or any of its subsidiaries did not repurchase, sell or redeem any of the Company's listed securities (including sale of treasury shares). As at the end of the Reporting Period, the Company did not hold any treasury shares.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Reference is made to the announcement of the Company dated 5 January 2024. Ms. Xu Yuehong resigned as the deputy general manager of the Company as she has reached the statutory age for retirement.

Reference is made to the announcement of the Company dated 26 March 2024. Ms. Liu Yan has been appointed as the deputy general manager of the Company with the term of office commencing from the date of the announcement and up to the expiry of the term of office of the third session of the Board.

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

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

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

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Ma Xianghui has been appointed as the general manager of the financial management department in China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) with effect from 20 May 2024 and ceased to be the vice president of COSCO SHIPPING (Hong Kong) Co., Limited and the vice president of COSCO SHIPPING International (Hong Kong) Co., Ltd. He has been appointed as a non-executive director of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd. and COSCO SHIPPING Ports Limited with effect from 26 June 2024.

Mr. Wu Yongfu has been appointed as Director of Finance and Property Department of Guoneng Power Technology and Engineering Company Limited (國能電力技術工程有限公司) with effect from 27 June 2024 and ceased to be the secretary of the party general branch and executive deputy director of the Construction Center of Shandong Construction Engineering (山東建設工程建設中心) on the same date.

Save as disclosed above, since the date of the Company's 2023 annual report and up to the date of this report, there has been no other change in the information of the Directors and Supervisors which shall be disclosed and has been disclosed under Rule 13.51B(1) of the Listing Rules.

MATERIAL LITIGATION AND ARBITRATION

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

Other Information

CORPORATE GOVERNANCE

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

The Company has adopted all applicable code provisions of the Corporate Governance Code. During the Reporting Period, the Company had been in compliance with the applicable code provisions in Part 2 of the Corporate Governance Code.

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

COMPLIANCE WITH THE MODEL CODE

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

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the six months ended 30 June 2024.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2024.

Independent Review Report

To the board of directors of Qilu Expressway Company Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 46, which comprises the condensed consolidated statement of financial position of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2024

Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

For the six months ended 30 June 2024

| | Notes | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
|---------------------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
| REVENUE | 5 | 2,807,598 | 1,656,842 |
| Cost of sales | | (2,451,324) | (1,205,961) |
| Gross profit | | 356,274 | 450,881 |
| Other income and gains | | 53,580 | 27,741 |
| Selling and distribution expenses | | (902) | (791) |
| Administrative expenses | | (38,840) | (36,934) |
| Impairment losses on financial and contract assets | | (1,730) | (3,638) |
| Other expenses | | (5) | (392) |
| Finance costs | | (34,082) | (38,355) |
| Share of profits and losses: | | | |
| Joint ventures | | – | 2,941 |
| An associate | | 174 | 130 |
| PROFIT BEFORE TAX | 6 | 334,469 | 401,583 |
| Income tax expense | 7 | (81,604) | (103,238) |
| PROFIT FOR THE PERIOD | | 252,865 | 298,345 |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 252,865 | 298,345 |
| Attributable to: | | | |
| Owners of the parent | | 248,588 | 300,473 |
| Non-controlling interests | | 4,277 | (2,128) |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic | 9 | | |
| – For profit for the period | | RMB0.12 | RMB0.15 |
| Diluted | | | |
| – For profit for the period | | RMB0.12 | RMB0.15 |

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

| | Notes | 30 June 2024 (Unaudited) RMB'000 | 31 December 2023 (Audited) RMB'000 |
|-------------------------------------------------------|-------|----------------------------------------|------------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 396,565 | 413,801 |
| Investment properties | | 15,842 | 16,285 |
| Right-of-use assets | | 180,361 | 120,842 |
| Intangible assets | 11 | 12,699,706 | 10,570,335 |
| Investment in an associate | | 23,628 | 23,455 |
| Deferred tax assets | | 10,122 | 8,752 |
| Long-term deposits | | 473,209 | 465,511 |
| Prepayments, other receivables and other assets | | 715,467 | 982,822 |
| Total non-current assets | | 14,514,900 | 12,601,803 |
| CURRENT ASSETS | | | |
| Inventories | | 39,355 | 43,748 |
| Trade and bills receivables | 12 | 645,477 | 491,916 |
| Contract assets | | 197,767 | 281,309 |
| Other current assets | | 10,619 | 18,952 |
| Prepayments and other receivables | | 232,966 | 467,247 |
| Financial assets at fair value through profit or loss | | – | 200,796 |
| Restricted cash | | 6,870 | 2,304 |
| Cash and cash equivalents | | 978,077 | 398,957 |
| Total current assets | | 2,111,131 | 1,905,229 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 13 | 790,431 | 787,073 |
| Dividend payables | 8 | 300,000 | – |
| Other payables and accruals | | 170,267 | 252,706 |
| Interest-bearing bank and other borrowings | 14 | 431,928 | 545,690 |
| Lease liabilities | | 2,862 | 2,903 |
| Tax payable | | 22,959 | 23,001 |
| Provisions | 15 | 86,164 | 111,164 |
| Total current liabilities | | 1,804,611 | 1,722,537 |
| NET CURRENT ASSETS | | 306,520 | 182,692 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 14,821,420 | 12,784,495 |

continued/...

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2024

| | Notes | 30 June 2024 (Unaudited) RMB'000 | 31 December 2023 (Audited) RMB'000 |
|---------------------------------------------|-------|----------------------------------------|------------------------------------------|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 14 | 8,652,242 | 6,556,825 |
| Lease liabilities | | 62,881 | 67,185 |
| Other payables | | 16,882 | 19,172 |
| Deferred tax liabilities | | 103,761 | 84,300 |
| Deferred income | | 4,465 | 4,997 |
| Total non-current liabilities | | 8,840,231 | 6,732,479 |
| Net assets | | 5,981,189 | 6,052,016 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 16 | 2,000,000 | 2,000,000 |
| Other equity instruments | | 1,977,192 | 1,988,060 |
| Other reserves | | 281,120 | 281,120 |
| Retained earnings | | 1,591,539 | 1,655,775 |
| | | 5,849,851 | 5,924,955 |
| Non-controlling interests | | 131,338 | 127,061 |
| Total equity | | 5,981,189 | 6,052,016 |

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

| | Note | Attributable to owners of the parent | | | | | Non-controlling interests RMB'000 | Total equity RMB'000 |
|-------------------------------------------|------|--------------------------------------|-------------------------------------|---------------------------|------------------------------|-------------------------|--------------------------------------|-------------------------|
| | | Share capital RMB'000 | Other equity instruments RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total equity RMB'000 | | |
| At 1 January 2024 | | 2,000,000 | 1,988,060 | 281,120 | 1,655,775 | 5,924,955 | 127,061 | 6,052,016 |
| Profit for the period | | - | - | - | 248,588 | 248,588 | 4,277 | 252,865 |
| Total comprehensive income for the period | | - | - | - | 248,588 | 248,588 | 4,277 | 252,865 |
| Interest paid on perpetual bonds | | - | (23,692) | - | - | (23,692) | - | (23,692) |
| Profit distribution to perpetual bonds | | - | 12,824 | - | (12,824) | - | - | - |
| Final 2023 dividend declared | 8 | - | - | - | (300,000) | (300,000) | - | (300,000) |
| At 30 June 2024 (unaudited) | | 2,000,000 | 1,977,192 | 281,120 | 1,591,539 | 5,849,851 | 131,338 | 5,981,189 |

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

| | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
|--------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 334,469 | 401,583 |
| Adjustments for: | | |
| Finance costs | 34,082 | 38,355 |
| Interest income | (51,707) | (22,739) |
| Share of profits of an associate and joint ventures | (174) | (3,071) |
| Fair value gain from financial assets at fair value through profit or loss | – | (1,801) |
| Gain on disposal of items of property, plant and equipment, net | (305) | (341) |
| Depreciation of property, plant and equipment | 22,738 | 28,105 |
| Depreciation of investment properties | 443 | 472 |
| Depreciation of right-of-use assets | 3,295 | 2,389 |
| Amortisation of intangible assets | 87,336 | 100,773 |
| Impairment of financial and contract assets, net | 1,730 | 3,638 |
| Foreign exchange differences, net | (52) | (48) |
| Decrease/(increase) in inventories | 4,393 | (4,602) |
| Increase in trade and bills receivables | (157,524) | (97,733) |
| Decrease/(increase) in contract assets | 85,775 | (21,387) |
| (Increase)/decrease in prepayments, other receivables and other current assets | (12,612) | 153,258 |
| (Decrease)/increase in trade and bills payables | (51,195) | 76,098 |
| Decrease in other payables and accruals | (22,664) | (44,598) |
| Decrease in provisions | (25,000) | (7,837) |
| Decrease in deferred income | (532) | (381) |
| Increase in restricted cash | (4,566) | (2,700) |
| Cash generated from operations | 247,930 | 597,433 |
| Interest received | 4,893 | 6,908 |
| Income tax paid | (51,463) | (79,560) |
| Net cash flows from operating activities | 201,360 | 524,781 |

continued/...

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

| | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
|---------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets | – | (1,180,000) |
| Proceeds from disposal of financial assets | 200,000 | 1,600,000 |
| Interest received | 5,841 | 14,070 |
| Purchase of property, plant and equipment, intangible assets and leasehold land | (2,022,005) | (1,724,917) |
| Proceeds from disposal of items of property, plant and equipment | 353 | 1,462 |
| Investments in a joint venture and an associate | – | (408,000) |
| Disposal of a joint venture | 261,000 | – |
| Dividends received from a joint venture and an associate | 12,597 | 10,787 |
| Net cash flows used in investing activities | (1,542,214) | (1,686,598) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of perpetual bonds | – | 173,755 |
| Proceeds from interest-bearing bank and other borrowings | 2,402,172 | 1,067,040 |
| Repayment of interest-bearing bank and other borrowings | (421,735) | (145,317) |
| Interest paid | (30,780) | (36,357) |
| Principal portion of lease payments | (4,429) | (6,932) |
| Interest portion of lease payments | (1,614) | (2,117) |
| Perpetual bonds interest paid | (23,692) | (21,547) |
| Net cash flows from financing activities | 1,919,922 | 1,028,525 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 579,068 | (133,292) |
| Cash and cash equivalents at beginning of period | 398,957 | 679,607 |
| Effect of foreign exchange rate changes, net | 52 | 48 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 978,077 | 546,363 |

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 16
Amendments to HKAS 1

Amendments to HKAS 1
Amendments to HKAS 7 and HKFRS 7

Lease Liability in a Sale and Leaseback
Classification of Liabilities as Current or Non-current
(the “2020 Amendments”)
Non-current Liabilities with Covenants (the “2022 Amendments”)
Supplier Finance Arrangements

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised HKFRSs are described below:

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

5. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue from contracts with customers | 2,806,606 | 1,655,538 |
| Revenue from other sources | | |
| Rental income | 992 | 1,304 |
| Total | 2,807,598 | 1,656,842 |

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

| | Expressway business RMB'000 (Unaudited) | Construction and other business RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|-----------------------------------------|--------------------------------------------------|-----------------------------------------------------------------|---------------------------------|
| Timing of revenue recognition | | | |
| Services transferred at a point in time | 483,503 | 73,640 | 557,143 |
| Services transferred over time | – | 2,249,463 | 2,249,463 |
| Total | 483,503 | 2,323,103 | 2,806,606 |

For the six months ended 30 June 2023

| | Expressway business RMB'000 (Unaudited) | Construction and other business RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|-----------------------------------------|--------------------------------------------------|-----------------------------------------------------------------|---------------------------------|
| Timing of revenue recognition | | | |
| Services transferred at a point in time | 623,073 | 299 | 623,372 |
| Services transferred over time | – | 1,032,166 | 1,032,166 |
| Total | 623,073 | 1,032,465 | 1,655,538 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|-----------------------------------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Depreciation of property, plant and equipment | 22,738 | 28,105 |
| Depreciation of investment properties | 443 | 472 |
| Depreciation of right-of-use assets | 3,295 | 2,389 |
| Amortisation of intangible assets | 87,336 | 100,773 |
| Impairment of financial and contract assets, net | 1,730 | 3,638 |
| Gain on disposal of items of property, plant and equipment, net | (305) | (341) |

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the period (six months ended 30 June 2023: Nil).

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2023: 25%) of the assessable profits during the period.

| | For the six months ended 30 June | |
|-------------------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Current income tax | | |
| – PRC corporate income tax | | |
| Charge for the period | 64,296 | 84,404 |
| (Overprovision)/underprovision in prior periods | (783) | 601 |
| Deferred income tax | 18,091 | 18,233 |
| Total | 81,604 | 103,238 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

8. DIVIDENDS

| | For the six months ended 30 June | |
|------------------------------------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Final declared – RMB0.150 (2023: RMB0.180) per ordinary share | 300,000 | 360,000 |

On 26 March 2024, the board of the Company declared a dividend of approximately RMB0.150 per ordinary share, amounting to a total of approximately RMB300,000,000, which was approved at the Company's Annual General Meeting on 26 June 2024. As at 30 June 2024, such dividend has not been paid.

The board of the Company did not declare any interim dividend to shareholders for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, excluding interest on perpetual bonds, and the weighted average number of ordinary shares of 2,000,000,000 (six months ended 30 June 2023: 2,000,000,000) in issue during the period.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

10. PROPERTY, PLANT AND EQUIPMENT

| | For the six months ended 30 June | |
|----------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Carrying amount at beginning of period | 413,801 | 293,588 |
| Additions | 6,145 | 165,483 |
| Depreciation | (23,370) | (28,105) |
| Disposals | (11) | (1,121) |
| Carrying amount at end of period | 396,565 | 429,845 |

11. INTANGIBLE ASSETS

| | For the six months ended 30 June | |
|----------------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Carrying amount at beginning of period | 10,570,335 | 6,304,274 |
| Additions | 2,216,707 | 1,150,132 |
| Amortisation | (87,336) | (100,773) |
| Carrying amount at end of period | 12,699,706 | 7,353,633 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

12. TRADE AND BILLS RECEIVABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|------------------------|----------------------------------------|------------------------------------------|
| Trade receivables | 635,222 | 484,305 |
| Impairment | (25,144) | (21,181) |
| Trade receivables, net | 610,078 | 463,124 |
| Bills receivable | 35,399 | 28,792 |
| Total | 645,477 | 491,916 |

Trade receivables mainly consist of receivables from construction contracting and the sale of industrial products, and toll road income receivables from the Shandong Transport Department for the uncollected expressway income as at 30 June 2024.

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-----------------------|----------------------------------------|------------------------------------------|
| Within 1 year | 491,846 | 360,118 |
| Between 1 and 2 years | 21,810 | 6,855 |
| Between 2 and 3 years | 75,072 | 74,362 |
| Over 3 years | 21,350 | 21,789 |
| Total | 610,078 | 463,124 |

13. TRADE AND BILLS PAYABLES

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-----------------------|----------------------------------------|------------------------------------------|
| Within 1 year | 717,975 | 708,388 |
| Between 1 and 2 years | 47,537 | 27,838 |
| Between 2 and 3 years | 8,709 | 50,847 |
| Over 3 years | 16,210 | - |
| Total | 790,431 | 787,073 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

13. TRADE AND BILLS PAYABLES (Continued)

Included in the trade payables are amounts totalling RMB129,265,000 (2023: RMB265,035,000) 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.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------------------------------|----------------------------------------|------------------------------------------|
| Current: | | |
| Bank loans – secured | 194,861 | 293,103 |
| Bank loans – unsecured | 236,590 | 252,110 |
| Other loans – unsecured | 477 | 477 |
| Total – current | 431,928 | 545,690 |
| Non-current: | | |
| Bank loans – secured | 1,174,046 | 605,426 |
| Bank loans – unsecured | 6,896,376 | 5,369,579 |
| Other loans – unsecured | 581,820 | 581,820 |
| Total – non-current | 8,652,242 | 6,556,825 |
| Total | 9,084,170 | 7,102,515 |
| | | |
| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | 431,451 | 545,213 |
| In the second year | 1,064,122 | 935,714 |
| In the third to fifth years, inclusive | 869,591 | 1,003,506 |
| Beyond five years | 6,136,709 | 4,035,785 |
| Subtotal | 8,501,873 | 6,520,218 |
| Other borrowings repayable: | | |
| Within one year | 477 | 477 |
| In the second year | 34,000 | 17,000 |
| In the third to fifth years, inclusive | 102,000 | 102,000 |
| Beyond five years | 445,820 | 462,820 |
| Subtotal | 582,297 | 582,297 |
| Total | 9,084,170 | 7,102,515 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

15. PROVISIONS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------------------------------|----------------------------------------|------------------------------------------|
| Carrying amount at beginning of period | 111,164 | 123,024 |
| Additional provisions | 6,374 | 16,172 |
| Utilisation of provisions | (31,374) | (28,032) |
| Carrying amount at end of period | 86,164 | 111,164 |

16. SHARE CAPITAL

Ordinary shares, issued and fully paid:

| | 30 June 2024 (Unaudited) | 31 December 2023 (Audited) |
|-------------------------|-----------------------------|-------------------------------|
| Number of shares | 2,000,000,000 | 2,000,000,000 |
| Share capital (RMB'000) | 2,000,000 | 2,000,000 |

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

18. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------------------------------------------------------------|----------------------------------------|------------------------------------------|
| Contracted, but not provided for: | | |
| Reconstruction and expansion project on the Jihe Expressway | 4,876,733 | 6,641,584 |
| Upgrade project of the Deshang Expressway and Shennan Expressway | – | 50 |
| Construction in progress of Qilu Assembly | 5,237 | 6,189 |
| Total | 4,881,970 | 6,647,823 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS

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

(a) Information of related parties

| <u>Name</u> | <u>Relationships with the Group</u> |
|-------------------------------------------------------------------------|---------------------------------------------------|
| Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group") | Ultimate holding company |
| Shandong Hi-Speed Company Limited | Controlling shareholder of the Company |
| COSCO SHIPPING (Hong Kong) Co., Limited | Shareholder of the Company |
| Guoneng Power Technology & Engineering Co., Ltd. | Shareholder of the Company |
| Shandong Traffic Planning Design Institute Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Information Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Transportation Engineering Supervision Consulting Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Transportation Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Tongwei Information Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Luqiao Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Xinlian Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Honglin Engineering Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Engineering Inspection Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Highway and Bridge Inspection Center Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Engineering Project Management Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Water General Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Dongfang Road and Bridge Construction Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Industrial Development Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Smart City Service Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Supply Chain Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |

continued/...

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

(a) Information of related parties (Continued)

| Name | Relationships with the Group |
|-------------------------------------------------------------------------|---------------------------------------------------|
| Shandong Hi-Speed Land Development Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Aobang Transportation Facilities Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Jining Hongxiang Highway Survey Design and Research Institute Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Construction Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Qingdao Property Management Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Qilu Electronic Tendering & Purchasing Service Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Environmental Protection Industry Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Road and Bridge Construction Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Zhengchen Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed New Growth Drivers Technology Consulting Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Jierui Transportation Service Development Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Jiaotong Construction New Material Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Zhengwei Detection Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Weifang Development Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed New Building Materials Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Engineering Construction Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Maintenance Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Transportation Construction Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Liaocheng Industrial Development Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |

continued/...

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

(a) Information of related parties (Continued)

| Name | Relationships with the Group |
|-------------------------------------------------------------------|------------------------------------------------------------|
| Shandong Hi-Speed Building Materials Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Transportation Equipment Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Material Digital Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Technology Investment Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Traffic Engineering Supervision Consulting Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Road and Bridge Technology Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Asphalt Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Zhizhen Planning Consulting Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Property Services Development Group Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Taidong Highway Engineering Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-Speed Xinlian Payment Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Shandong Hi-speed Jibei Highway Co., Ltd. | Fellow subsidiary of the Ultimate holding Company |
| Weihai City commercial Bank | An associate of the controlling shareholder of the Company |
| Jinan Xinyue New Road Material Research and Development Co., Ltd. | An associate of the Company's subsidiary |

(b) Transactions with related parties

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

| | Notes | For the six months ended 30 June | |
|------------------------------------------------------------|-------|----------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Construction service income: | | | |
| Fellow subsidiary of the Ultimate holding Company | (i) | 6,267 | 666 |
| Sales of goods: | | | |
| Fellow subsidiary of the Ultimate holding Company | (i) | 151,525 | 102,340 |
| Interest income: | | | |
| An associate of the controlling shareholder of the Company | (i) | 12 | 7 |
| Total | | 157,804 | 103,013 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

| | Notes | For the six months ended 30 June | |
|---------------------------------------------------|-------|----------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Purchases of equipment: | | | |
| Fellow subsidiary of the Ultimate holding Company | (i) | 81 | 176 |
| Purchases of goods: | | | |
| Fellow subsidiary of the Ultimate holding Company | (i) | 94,293 | 20,425 |
| An associate of the Company's subsidiary | (i) | – | 544 |
| Employee service fees: | | | |
| Ultimate holding Company | (i) | – | 15,739 |
| Fellow subsidiary of the Ultimate holding Company | (i) | 7,483 | 1,810 |
| Interest expenses: | | | |
| Ultimate holding Company | (ii) | 8,677 | 8,925 |
| Rent of land: | | | |
| Ultimate holding Company | | 5,774 | 5,774 |
| Maintenance services: | | | |
| Fellow subsidiary of the Ultimate holding Company | | 139 | 1,074 |
| Design and technical service expenses: | | | |
| Fellow subsidiary of the Ultimate holding Company | | 1,657 | – |
| Construction cost and supervision fees: | | | |
| Fellow subsidiary of the Ultimate holding Company | | 805,869 | 236,261 |
| Other service expenses: | | | |
| Fellow subsidiary of the Ultimate holding Company | | 520 | 782 |
| Ultimate holding Company | | 111 | – |
| Total | | 924,604 | 291,510 |

Notes:

- (i) During the reporting period, the transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) The interest rate of loans from the ultimate holding company is 2.95% per annum (six months ended 30 June 2023: 3.05%).

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Commitments with related parties

As at 30 June 2024

In the Jihe expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Hi-Speed Engineering Inspection Co., Ltd. for technical study, with Shandong Hi-Speed Engineering Construction Group Co., Ltd., Shandong Hi-Speed Engineering Project Management Co., Ltd., Shandong Luqiao Group Co., Ltd., Shandong Environmental Protection Industry Group Co., Ltd., Shandong Road and Bridge Construction Group Co., Ltd., Shandong Zhengchen Technology Co., Ltd. and Shandong Transportation Engineering Supervision Consulting Co., Ltd. for construction and supervision services, with Shandong Traffic Planning Design Institute Group Co., Ltd. and Shandong Hi-Speed Engineering Inspection Co., Ltd. for design services, and with Shandong Hi-Speed Land Development Co., Ltd. for farmland index adjustment services. As at 30 June 2024, the committed fees payable to these related parties for the respective services will be approximately RMB10,593,000, RMB1,589,095,000, RMB34,098,000 and RMB70,996,000 respectively.

(d) Outstanding balances with related parties

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|------------------------------------------------------------|----------------------------------------|------------------------------------------|
| Cash and cash equivalents: | | |
| An associate of the controlling shareholder of the Company | 20,306 | 41,654 |
| Prepayments and other receivables: | | |
| Fellow subsidiary of the Ultimate holding Company | 180,450 | 165,961 |
| An associate of the Company's subsidiary | 421 | 302 |
| Total | 180,871 | 166,263 |
| Trade and bills receivables: | | |
| Fellow subsidiary of the Ultimate holding Company | 173,319 | 111,820 |
| Shareholder of the Company | 826 | 826 |
| Total | 174,145 | 112,646 |

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances with related parties (Continued)

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------------------------------------------|----------------------------------------|------------------------------------------|
| Contract assets | | |
| Fellow subsidiary of the Ultimate holding Company | 87,358 | 77,801 |
| Trade and bills payables | | |
| Fellow subsidiary of the Ultimate holding Company | 110,541 | 244,922 |
| An associate of the Company's subsidiary | 18,724 | 20,113 |
| Total | 129,265 | 265,035 |
| Other payables and accruals | | |
| Ultimate holding Company | 26,057 | 37,045 |
| Fellow subsidiary of the Ultimate holding Company | 14,177 | 26,230 |
| Shareholder of the Company | 891 | 1,138 |
| Total | 41,125 | 64,413 |
| Dividend payables | | |
| Ultimate holding Company | 116,775 | – |
| Shareholder of the Company | 108,225 | – |
| Total | 225,000 | – |
| Interest-bearing bank and other borrowings | | |
| Ultimate holding Company | 582,297 | 582,344 |

Balances with the above related parties were unsecured and non-interest-bearing except for the interest-bearing bank and other borrowings with Shandong Hi-Speed Group with an interest rate of 2.95% (2023: 3.05%).

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS (Continued)

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

The Group entered into a service agreement with Shandong Hi-Speed Group with an effective date of 1 January 2024 for cross-border fund centralised operation and management. During the period from 1 January 2024 to 30 June 2024, the daily deposit balance of the Group in the cross-border fund centralised operation and management account of Shandong Hi-Speed Group shall not exceed RMB140 million. As at 30 June 2024, the balance is nil. Shandong Hi-Speed Group provides the above services without charging service fees.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of the non-current portion of other receivables and other assets, interest-bearing bank and other borrowings and the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values approximate to their carrying amounts.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

| | Fair value measurement using | | | Total RMB'000 |
|----------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Financial assets at fair value through profit or loss | – | 200,796 | – | 200,796 |

The Group did not have any financial assets measured at fair value at 30 June 2024 (31 December 2023: RMB200,796).

The Group did not have any financial liabilities measured at fair value at 30 June 2024 (31 December 2023: Nil).

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2024

21. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events took place after the reporting period.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 30 August 2024.