

Qilu Expressway Company Limited 齊魯高速公路股份有限公司

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

Stock Code: 1576



2022
INTERIM REPORT



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Definitions

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

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	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”	Company Law of the People’s Republic of China 《(中華人民共和國公司法)》
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“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 Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in RMB
“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang and the Shennan Expressway
“Group”, “us” or “we”	the Company and, except where the context otherwise requires, all of its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan (濟南) to Heze (荷澤) Expressway, the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometres

Definitions (Continued)

“Jinan Xinyue”	Jinan Xinyue New Road Material Research and Development Company Limited (濟南鑫岳新型道路材料研發有限公司), a limited liability company incorporated under the laws of the PRC and an associate held by the Group through Shandong Gangtong Construction as to 40% of its equity interest
“Lending Bank(s)”	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Sub-branch (中國建設銀行股份有限公司濟南珍珠泉支行), Bank of China Limited Jinan Branch (中國銀行股份有限公司濟南分行), and Huaxia Bank Co., Ltd. Huaiyin Sub-branch (華夏銀行濟南槐蔭支行), being the banks providing financing facilities for the construction projects of the Deshang and Shennan Expressways
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“pandemic”	the COVID-19 pandemic
“PRC” or “State”	the People’s Republic of China, which for the purpose of this report, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“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 incorporated under the PRC laws with limited liability, and a wholly-owned subsidiary of the Company as at the date of this report
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“R&E Project”	the reconstruction and expansion project of the Jihe Expressway
“Reporting Period”	the six months ended 30 June 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shandong 9-5-1-7 Expressway Network”	the “nine-vertical; five-traverse; one-ring and seven-radians and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2018-2035) 《(山東省高速公路網中長期規劃(2018-2035))》 promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 kilometres by 2035
“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this report
“Shandong Huaying”	Shandong Huaying Equity Investment Management Co., Ltd. (山東華贏股權投資管理有限公司), a company incorporated under the PRC laws with limited liability

Definitions (Continued)

“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), 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 incorporated 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)”	Domestic Share(s) and/or H share(s) (as the case may be)
“Shareholder(s)”	holder(s) of Share(s)
“Shennan Expressway”	an expressway running from the K150+400 point of the Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary – Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law
“%”	per cent

REGISTERED NAME OF THE COMPANY

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

LEGAL REPRESENTATIVE

Mr. Wang Zhenjiang

BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Zhou Cenyu
Mr. Su Xiaodong
Ms. Kong Xia
Mr. Du Zhongming
Mr. Shi Jinglei

(3) Independent Non-executive Directors

Mr. Cheng Xuezhao
Mr. Li Hua*
Mr. Wang Lingfang
Mr. He Jiale
Mr. Han Ping

BOARD COMMITTEES

(1) Audit Committee

Mr. He Jiale (*Chairman*)
Mr. Wang Shaochen
Mr. Li Hua*

(2) Remuneration and Appraisal Committee

Mr. Li Hua (*Chairman*)
Mr. Cheng Xuezhao
Mr. Wang Lingfang

(3) Nomination Committee

Mr. Wang Zhenjiang (*Chairman*)
Mr. Cheng Xuezhao
Mr. Li Hua*
Mr. Wang Lingfang

(4) Strategy Committee

Mr. Wang Zhenjiang (*Chairman*)
Mr. Peng Hui
Mr. Liu Qiang
Mr. Wang Shaochen
Mr. Li Hua*

SUPERVISORY COMMITTEE

(1) Shareholder Representative Supervisors

Ms. Meng Xin (*Chairperson of the Supervisory Committee*)
Mr. Zhang Yin
Mr. Wu Yongfu

(2) Employee Supervisors

Mr. Wang Shun
Mr. Hao Dehong
Ms. Hou Qinghong

(3) Independent Supervisors

Mr. Li Ruzhi
Mr. Meng Qinghui

* Mr. Li Hua has resigned from his position as an independent non-executive Director of the Company due to his personal physical conditions on 21 April 2022. Until the new independent non-executive Director and the member of respective Board committees of the Company take office, Mr. Li shall continue to perform his duties and obligations as an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee and the member of respective Board committees. Please refer to the announcement of the Company dated 21 April 2022 for details.

Corporate Information (Continued)

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

LEGAL ADVISER AS TO PRC LAW

DeHeng Law Offices (Jinan)

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

LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong

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

REGISTERED ADDRESS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

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

COMPANY WEBSITE

www.qlecl.com

STOCK CODE

1576

Management Discussion and Analysis

FINANCIAL REVIEW

Operations

The Group's principal businesses comprises (i) the construction, maintenance, operation and management of the expressway (including Jihe Expressway and Deshang and Shennan Expressways); (ii) highway engineering construction, expressway maintenance, municipal greening and other construction engineering; and (iii) 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 toll income from expressway administered by the Group, the Group carried out highway engineering, expressway supporting facilities and other construction engineering work and recorded engineering service revenue through Shandong Gangtong Construction and recorded sales revenue through processing and selling industrial products. We also recorded certain service income from the leasing of pipes for communication signal transmission and advertisement billboards along the Jihe Expressway and the provision of advertisement publication services.

Revenue

During the Reporting Period, we recorded a revenue from operations of approximately RMB988,210,000, representing an increase of approximately 8.44% compared with that of approximately RMB911,299,000 in the corresponding period of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB561,726,000, representing a decrease of approximately 8.97% compared with that of approximately RMB617,083,000 in the corresponding period of last year. Our toll income from the Deshang and Shennan Expressways was approximately RMB235,261,000, representing a decrease of approximately 12.98% compared with that of approximately RMB270,367,000 in the corresponding period of last year. Traffic volume on the Jihe Expressway during the Reporting Period decreased from approximately 74,000 vehicles per day during the six months ended 30 June 2021 to approximately 70,700 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) decreased from approximately 56,700 vehicles per day during the six months ended 30 June 2021 to approximately 46,300 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway decreased from approximately 10,800 vehicles per day during the six months ended 30 June 2021 to approximately 8,900 vehicles per day during the Reporting Period. Such decreases in these toll incomes and traffic volumes were mainly attributable to the severe pandemic situation in some regions of China during the Reporting Period, as well as the implementation of various pandemic prevention and control measures, which led to a general decrease in social operation and people's travel and had a significant impact on the traffic flow on expressways. Besides, due to the increasing oil prices and the impact of expressway entrance overload control, the traffic volumes of large trucks in the expressway network and the relevant profit sharing were decreased accordingly. For further details of changes in the above expressway traffic volume during the period, please refer to the sub-section headed "Business Review—Expressway Business" under this section.

During the Reporting Period, in accordance with HKFRS 15 Revenue from Contracts with Customers, the Group recognized revenue from reconstruction and expansion of approximately RMB177,608,000, and recognized revenue from engineering construction business of RMB7,237,000, totaling RMB184,845,000, representing an increase of approximately 779.75% compared with that of approximately RMB21,011,000 in the corresponding period of last year, which was mainly due to the increase in the revenue from the reconstruction and expansion of Jihe Expressway. For details of the construction business, please refer to the sub-section headed "Business Review—Construction Business" under this section.

Management Discussion and Analysis (Continued)

In addition, during the Reporting Period, we recorded the revenue from the sales of industrial products of approximately RMB3,796,000, which is mainly the income from trading business of Shandong Shunguang Industrial. Meanwhile, we recorded an income from other service business of approximately RMB329,000, representing a decrease of approximately 43.08% as compared to approximately RMB578,000 in the corresponding period of last year, mainly attributable to the decreased service income generated from road clearance services for traffic accidents.

During the Reporting Period, we recorded a rental income of approximately RMB2,253,000, which was similar to the rental income of approximately RMB2,260,000 in the corresponding period of last year. 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 RMB1,612,000, and (ii) the rental income from leasing the pipes for communication signal transmission along the expressways and investment properties of approximately RMB641,000.

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales and gross profit were approximately RMB387,955,000 and RMB600,255,000 respectively, as compared to those of approximately RMB272,706,000 and RMB638,593,000 in the corresponding period of last year, representing an increase of approximately 42.26% and a decrease of approximately 6.00% year-on-year respectively. Gross profit margin of the Group was approximately 60.74% for the Reporting Period, representing a year-on-year decrease of approximately 9.34 percentage points as compared with approximately 70.08% in the corresponding period of last year. During the Reporting Period, the Group's costs of sales mainly included (i) amortisation of intangible assets, staff costs, and (ii) maintenance costs of the Jihe Expressway, the Deshang and Shennan Expressways, and provisions. 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 construction revenue derived from the R&E Project of the Jihe Expressway which was recognised by adopting input method based on applicable accounting standard while relevant cost of construction was recognised. As such, the Group recorded increase in construction revenue due to the R&E Project of Jihe Expressway during the Reporting Period, as well as a corresponding increase in the cost of construction. During the Reporting Period, the Group's revenue from the Expressway Business (being toll fees) declined from that of the corresponding period of last year. Meanwhile, the increase in cost of construction brought about by the R&E Project of Jihe Expressway resulted in a decline in each of the Group's gross profit and gross profit margin in the Reporting Period, compared to that of the corresponding period of last year.

Other Income and Gains

During the Reporting Period, other income and gains were approximately RMB20,204,000 (approximately RMB10,547,000 for the corresponding period of 2021), which mainly comprised gains on investment in structured deposits, bank interest income and incentive income from the government. The year-on-year increase in other income and gains was mainly attributable to (i) the increase in investment income generated from the increased subscription of structured wealth management products by the Company; and (ii) the increase in bank interest income when compared with that of the corresponding period of last year.

Administrative Expenses

During the Reporting Period, administrative expenses from our operations were approximately RMB27,899,000, representing a decrease of approximately 6.14% as compared to approximately RMB29,725,000 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.

Management Discussion and Analysis (Continued)

Impairment Losses on Contract Assets

During the Reporting Period, we recorded impairment losses on contract assets of RMB182,000 (corresponding period of 2021: approximately RMB505,000), primarily derived from the decrease in the expected credit losses on contract assets.

Other Expenses

During the Reporting Period, we recorded other expenses of RMB166,000 (corresponding period of 2021: approximately RMB46,000), primarily derived from the provision for bad debt losses on the accounts receivable by Shandong Gangtong Construction.

Finance Costs

During the Reporting Period, our finance costs were approximately RMB52,296,000, representing a decrease of approximately 23.59% as compared to approximately RMB68,437,000 for the corresponding period of last year, primarily attributable to the Group's repayment of bank loans, resulting in a decrease in the Group's finance expenses during the Reporting Period..

Share of Loss and Profit of an Associate

During the Reporting Period, our share of profit of an associate was approximately RMB862,000 (corresponding period of 2021: share of loss of approximately RMB161,000), representing the share of profit of the Group's associate (being Jinan Xinyue, with 40% of its equity interest held by Shandong Gangtong Construction) in the Reporting Period accounted for under equity method of accounting.

Profit for the Period

During the Reporting Period, profit attributable to owners of the parent was approximately RMB405,105,000, representing a slight decrease of approximately 0.69% as compared to that of approximately RMB407,905,000 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 our Expressway Business.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operations and capital expenditures with the internal resources, long-term bank loans and borrowings from Shandong Hi-Speed Group. As at 30 June 2022, the Group had total loans of approximately RMB2,704,123,000 (31 December 2021: approximately RMB2,575,958,000), all bore interest at floating rates and were denominated in RMB. Total cash and cash equivalents (including bank deposits and cash) were approximately RMB987,615,000 (31 December 2021: approximately RMB587,477,000).

The Group adopts a prudent capital management policy and actively manages its liquidity position. It maintains sufficient standby banking facilities to meet daily operation needs and any capital requirements for future development. As at 30 June 2022 and 31 December 2021, the Group's gearing ratio, as calculated by dividing net debt⁽¹⁾ by total capital⁽²⁾, was approximately 24.70% and 36.96%, respectively.

Notes:

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

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

Management Discussion and Analysis (Continued)

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.

During the Reporting Period, the Group reasonably utilised its idle capital being available for cash management to subscribe for the wealth management products issued by banks to improve capital utilisation efficiency and increase capital operating income without affecting its normal operations. For instance, the Company subscribed for the structured deposit wealth management products issued by China Guangfa Bank Co., Ltd. Jinan Branch (廣發銀行股份有限公司濟南分行) on 29 June 2022. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Guangfa Bank Co., Ltd. Jinan Branch and China Life Insurance (Group) Company, being its ultimate beneficial owner, are all third parties independent of the Company and its connected persons. China Life Insurance (Group) Company is owned as to 90% and 10% by the Ministry of Finance of the People's Republic of China and the National Council for Social Security Fund of the People's Republic of China, respectively.

Pledge of Assets and Contingent Liabilities

As at 30 June 2022, the Group's toll collection right in respect of the Deshang and Shennan Expressways was pledged to secure a bank loan granted by a Lending Bank for the related construction project financing. As at 30 June 2022, (i) the net carrying amount of the toll collection right in respect of the Deshang Expressway (Liaocheng – Fan County section), and (ii) Shennan Expressway was RMB2,200,404,000 and RMB791,059,000 respectively. Save as mentioned above, as at 30 June 2022, the Group had no material contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 30 June 2022, the Group had a total of 677 (as at 30 June 2021: 682) employees in the PRC, including management staff, engineers, technicians, etc. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB72,520,000 (approximately RMB67,725,000 for the corresponding period of last year).

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

Foreign Exchange Risk

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

As at 30 June 2022, the Group did not enter into any hedging arrangements to hedge against exposure to foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

Management Discussion and Analysis (Continued)

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

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 of 30 June 2022, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as of 30 June 2022.

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue from operations of approximately RMB988,210,000, representing a year-on-year increase of approximately 8.44%, of which, toll income was approximately RMB796,987,000, representing a year-on-year decrease of approximately 10.19%; revenue from construction, sales of industrial products, rental income and other services businesses was approximately RMB191,223,000, representing a year-on-year increase of approximately 701.80%. During the Reporting Period, the Group achieved a gross profit of approximately RMB600,255,000, representing a year-on-year decrease of approximately 6%. Profit for the period was approximately RMB405,105,000, generating earnings per Share of approximately RMB0.20 (corresponding period of last year: RMB0.20).

Expressway Business

In the first half of 2022, the Company continued to strengthen the operational management of the Jihe Expressway and the Deshang and Shennan Expressways projects. The Jihe Expressway and the Deshang and Shennan Expressways are important components of the Shandong 9-5-1-7 Expressway Network, connecting to areas in Shandong Province with relatively eminent agricultural, commercial, tourism, other economic development. Due to the severe pandemic situation in some regions of China in the first half of 2022, and the increasing oil prices and the impact of expressway entrance overload control, the traffic volume of large trucks in the expressway network decreased, resulting in a decrease in the traffic volume of the Jihe Expressway, the Deshang Expressway and the Shennan Expressways during the Reporting Period. The Jihe Expressway and the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded traffic volume of approximately 70,700, 46,300 and 8,900 vehicle trips, respectively, per day during the Reporting Period. The Jihe Expressway recorded a toll income of RMB561,726,000 during the Reporting Period, representing a decrease of approximately 8.97% from that of RMB617,083,000 in the corresponding period of last year. The Deshang and Shennan Expressways recorded a toll income of RMB235,261,000 during the Reporting Period, representing a decrease of 12.98% from that of RMB270,367,000 in the corresponding period of last year.

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

Expressways managed by the Group during the Reporting Period	Total volume of passenger vehicle traffic during the Report Period ('000)	Total volume of truck and special motor vehicle traffic during the Report Period ('000)	Total traffic volume during the Report Period ('000)	Daily average traffic volume ⁽²⁾
The Jihe Expressway	8,090	4,705	12,795	70,690
The Deshang Expressway (Liaocheng – Fan County section)	4,194	4,182	8,375	46,271
The Shennan Expressway	656	957	1,613	8,913

Note:

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

Management Discussion and Analysis (Continued)

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

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

The expressways managed by the Group as mentioned above refer to the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) 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) In the first half of 2022, the severe pandemic situation in some regions of China as well as the implementation of various pandemic prevention and control measures, which led a general decrease in social operation and people's travel, and had a significant impact on the traffic flow on expressways;
- (2) Due to the increasing oil prices and the impact of expressway entrance overload control, the traffic volume of large trucks in the expressway network and the relevant profit sharing were decreased accordingly; and
- (3) The half-width closure for construction from Yinjialin Junction to Taishan Junction of the Beijing-Taiwan Expressway caused certain vehicles using the road network to bypass Jihe Expressway, which has a positive impact on the traffic flow of Jihe Expressway.

Management Discussion and Analysis (Continued)

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》; and (v) the toll exemptions for vehicles as required by other national policies.

Rental Income

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

Construction Business

During the Reporting Period, the Group recognized revenue related to the reconstruction and expansion of approximately RMB177,608,000, and recognized revenue from engineering construction business of RMB7,237,000, totaling RMB184,845,000. The revenue from engineering construction business mainly includes revenue from highway engineering construction and municipal greening engineering services.

During the Reporting Period, in accordance with HKFRS 15 Revenue from Contracts with Customers, the Group recognised revenue of RMB177,608,000 from the R&E Project of the Jihe Expressway and the R&E Project of Liaocheng West Interchange construction project. The Group is engaged in the businesses relating to construction and engineering service through Shandong Gangtong Construction. In the first half of 2022, Shangong Gangtong Construction overcame the severe pandemic and the complex economic situation and actively strived to contract for project construction, among other things, (i) contracted to undertake the anti-poverty project of East Heishan Bridge in Pingyin County with an amount of RMB4.768 million, and (ii) contracted to undertake the Hui River control project of Pingyin County with amount of RMB7.15 million, whereby the project technical personnel had been stationing on-site to carry out the project construction works. By the end of June 2022, the final part of the road project to combat flooding of the Yellow River at Pinyin County in the project sum of RMB9.0 million had been completed. In the meantime, Shandong Gangtong Construction pays close attention to the construction organization and coordination, arranges reasonable construction plan, strengthens the management of personnel and equipment, formulates scientific work flow and safety protection measures, strictly implements the road safety and civilized construction and enhances the intensity of on-site inspection to ensure operation safety and promote the construction of various engineering projects in a well-regulated manner.

Management Discussion and Analysis (Continued)

Shandong Gangtong Construction will further enhance the connection and communication with Jihe Expressway project units and the local governments, intensify its effort in market expansion, strengthen external cooperation, vigorously secure construction projects, ensure the effective implementation of production and operation and promote the high-quality development of the Company.

Sale of Industrial Products

During the Reporting Period, the revenue of the Group from the sale of industrial products was approximately RMB3,796,000, which was mainly the income from processing and selling of geomaterials, construction equipment, engineering materials and other industrial products and trading business.

R&E Project of the Jihe Expressway

The R&E Project of the Jihe Expressway starts from the Yinjialin Hub Interchange of the Jiguang Expressway and ends at the Wangguantun Hub Interchange where Jiguang Expressway and Rilan Expressway intersect, with an estimated total investment of RMB18.6 billion and total length of 152.7 kilometers. It will be expanded from the two-way four-lane to two-way eight-lane which has a designed speed of 120km/h and a planned construction period of 30 months. It is an important part of the 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.

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

On 20 May 2022, the Company passed the resolution of the Board and entered into the construction contract with the successful bidder in respect of the main works under the R&E Project. Subject to the need to perform relevant compliance procedures by the Company (including but not limited to obtaining the shareholders' approval), the Company will conduct the main works under the R&E Project in 2022.

For further details of the R&E Project of Jihe Expressway, please refer to the announcements dated 3 May 2021, 30 September 2021, 11 October 2021, 11 March 2022, 20 May 2022 and 27 July 2022 and the circulars dated 15 November 2021 and 20 July 2022 of the Company.

Management Discussion and Analysis (Continued)

PROSPECTS

China's economy has been significantly affected by the unexpected outbreak of the pandemic in various parts of the country since the beginning of 2022. Nonetheless, with the effective control of the pandemic, coupled with the active and orderly recovery of production in different regions, the economic activities and development have been recovering gradually. Meanwhile, as the Chinese government announced a series of favorable policies and financial supporting measures to comprehensively improve the infrastructure construction, various industries such as transportation, infrastructure, commercial and logistics industries have also been resuming to normal level. Benefiting from these factors, China's macro economy is on a path featured by stability and development. However, against the backdrop of the lingering pandemic, as well as multiple crises facing the global community, there are both challenges and opportunities. In view of the general international and domestic conditions, in the first half of 2022, the government of Shandong Province established stability and development as the primary task of its economic work this year. Benefited from scientific and coordinated efforts in pandemic prevention and socio-economic development, the province delivered stable and positive macro-economic performance, with the provincial GDP reaching RMB4.1717 trillion for the first half of 2022, representing a year-on-year increase of 3.6% based on constant prices, which underpinned the confidence of the Company to develop and expand its businesses.

I. We will make concerted and concrete efforts in implementing the strategy of “leading by the principal business, integrating industrial development and financing, and driving development on two wheels”, working together to advance the construction of new patten. In the second half of 2022, the Company will focus on the operation and management of its principal businesses and the improvement of its operation and management capacity. We will also accelerate the implementation of the R&E project on Jihe Expressway. On the basis of maintaining satisfactory performance of its principal expressway businesses, the Company will continuously develop new sources of profit growth based on its expressway principal business as well as upstream and downstream business segments. It will also actively seek high-quality investment projects, expand platforms operating with high standards, and establish a high-level benchmark for services. Driven by the development of industries, reasonable and optimized layout and capital operation, the Company aims to speed up its efforts to become a leading provider of expressway comprehensive services.

II. We will deepen reform, carry out our management improvement in all aspects, and energize the transformation and development. The Company will carry out management improvement activities, formulate management improvement plans, and strictly implement various measures on the rectification and improvement of critical issues as well as the improvement of supervision and inspection and self-evaluation, promote the establishment of a long-term mechanism for management improvement, with a view to empowering operation and improve operation efficiency with management. We will also strengthen refined management and make dedicated efforts in the establishment of management and control system, while further optimizing our system and process as well as our organization structure. For the purpose of enhancing our market competitiveness and risk resistance capacity, we will comprehensively apply information technology to explore efficient integration of new technologies with production and operation, all of which are driving factors behind the scientific and robust development of the Company.

III. We continuously carry out operation and management and strengthen our services capacity through reform and innovation. The Company adheres to the customer-oriented approach, strengthens toll management and improves its civilized services; it advances the establishment of smart toll stations, carries out star assessment at toll stations and brand creation, and promotes the continuous improvement in reducing congestion at toll stations, while strengthening maintenance management to improve traffic quality; it establishes the “Internet+” management platform, comprehensively applies information and new internet technologies to achieve intelligent deployment and response, and optimizes its road emergency response measures and obstacle clearance and rescue system, so as to effectively enhance the travel experience of customers.

Management Discussion and Analysis (Continued)

IV. We consistently attach great importance to safety, and strictly conduct safety management, with a focus on the key issues of safety. The Company comprehensively implements the safety production responsibility system, refines responsibilities, and carries out regular safety production inspections on expressway. We also deeply conduct work rectification throughout the channels, and optimize our management measures and approaches to safety production, in particular, strengthen the supervision of construction of key projects, so as to achieve stability and orderly safety production as well as effective safety supervision. Apart from safety production, we also emphasize pandemic prevention by focusing on the strict implementation of pandemic prevention in key processes, places, and positions. The Company resolutely performs the main responsibility of pandemic prevention and control, and ensures the satisfactory performance in both pandemic prevention and development.

In the second half of 2022, the people at the Company will make relentless efforts, shoulder missions, seize opportunities, and be committed to promote expansion and innovation, with the aim of composing a new chapter of the Company's quality development.

EVENTS AFTER THE REPORTING PERIOD

Proposed Capital Injection into a Partnership

On 27 July 2022, the Group proposes for Qilu Expressway Investment, Shandong Hi-Speed Beiyin (Shanghai) Investment Management Co., Ltd. (山東高速北銀(上海)投資管理有限公司) (as the general partner), Shandong Hi-Speed Urbanisation Fund Management Centre (Limited Partnership) (山東高速城鎮化基金管理中心(有限合夥)), Shandong Hi-Speed (Yantai) Jihua Investment Fund Management Center (Limited Partnership) (山高(煙台)基華投資基金管理中心(有限合夥)) and Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司) (each as a limited partner) to enter into a partnership agreement pursuant to which, Qilu Expressway Investment is expected to make a capital contribution in the sum of RMB173,754,845.86 to Shandong Hi-Speed (Yantai) Fangxu Investment Centre (Limited Partnership) (山高(煙台)方旭投資中心(有限合夥)) for admission as one of its limited partner. For further details, please refer to the announcement dated 27 July 2022 of the Company.

After friendly negotiation by all parties, the matter relating to the capital injection into a partnership above will not take effect as of the date of this report.

Formation of Partnership

On 4 August 2022, Shandong Huaying (as the general partner) entered into the Partnership Agreement with Qilu Expressway Investment, (as the limited partner) to jointly establish a partnership to be named Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership) (濟南贏通股權投資基金合夥企業(有限合夥)). The Partnership shall be established with a fund scale of RMB285.01 million, of which Shandong Huaying and Qilu Expressway Investment shall commit to contributing RMB10,000 and RMB285 million to its capital fund, respectively. The fund from the Partnership shall be invested in the PPP Project.

The partnership fund from the Partnership will be applied to invest in the PPP Project related to the construction project of Hongqi Road and the southern section of Derun Road (Gangcheng West Street Interchange – Tonglin Road) (both being urban express roads) in Yantai, Shandong Province, with total investment amounted to RMB6,120,302,800. The total investment of the PPP Project amounts to RMB6,120,302,800. The Yantai People's Government authorised Yantai Highway Development Centre (煙台市公路事業發展中心) to implement the PPP Project, and authorised Yantai Urban Construction Development Group Co., Ltd. (煙台市城市建設發展集團有限公司) to be the government representative to form the project company with selected social capital contributors.

Management Discussion and Analysis (Continued)

The PPP Project adopts the “build – operate – transfer” operation model, pursuant to which the project construction period and the operation period shall be 2 years and 17 years, respectively. The project company shall be responsible for the funding and financing, construction, operation and maintenance of the PPP Project and shall be entitled to operating subsidies. Upon expiry of the cooperation period, the project company shall transfer the relevant rights of the PPP Project to the government. The PPP Project is a public welfare construction project under the “government payment” model. The government will pay the project company an annual operating subsidy with reference to the functionality of the project facilities, the operation and maintenance costs and the project performance. For further details, please refer to the announcement dated 4 August 2022 of the Company.

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

PUBLICATION AND DISPATCH OF INTERIM REPORT

This report is also published on the websites of the HKEXnews (www.hkexnews.hk) and the Company (www.qlccl.com), and the 2022 Interim Report of the Group containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and published on the respective websites of the Company and the HKEXnews in due course.

Other Information

SHARE CAPITAL

As at 30 June 2022, the total issued share capital of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares (comprising 1,100,000,000 H Shares and 900,000,000 Domestic Shares), with a nominal value of RMB1.00 each.

Share capital of the Company as at 30 June 2022 was as follows:

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

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

As at 30 June 2022, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
Shandong Hi-Speed	778,500,000	Beneficial interest	Domestic Shares	86.50%	38.93%	Long position
Shandong Hi-Speed Group ⁽¹⁾	778,500,000	Interest in controlled corporation	Domestic Shares	86.50%	38.93%	Long position
COSCO SHIPPING (Hong Kong) Co., Limited	600,000,000	Beneficial interest	H Shares	54.55%	30.00%	Long position
China Shipping Group Company Limited ⁽²⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited ⁽²⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
Guoneng Power Technology & Engineering Co., Ltd.	121,500,000	Beneficial interest	Domestic Shares	13.50%	6.08%	Long position
China Energy Guoyuan Power Co., Ltd. ⁽³⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited ⁽³⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position

Other Information (Continued)

Name of Shareholder	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Holdings Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential plc ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation ⁽⁵⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Cornerstone Holdings Limited	173,919,000	Beneficial interest	H Shares	15.81%	8.70%	Long position
China Merchants Expressway Network & Technology Holdings Co., Ltd. ⁽⁶⁾	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
China Merchants Group Limited ⁽⁶⁾	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position

Notes:

- (1) Shandong Hi-Speed is 70.91% owned by Shandong Hi-Speed Group. Therefore, Shandong Hi-Speed Group is deemed to be interested in the Domestic 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) Guoneng Power Technology & Engineering Co., Ltd. is wholly owned by China Energy Guoyuan Power Co., Ltd.. China Energy Guoyuan Power Co., Ltd. is wholly owned by China Energy Investment Corporation Limited. Therefore, China Energy Guoyuan Power Co., Ltd. and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Guoneng Power Technology & Engineering Co., Ltd. under the SFO.

Other Information (Continued)

- (4) 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
- (5) The remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited, CITIC Limited, CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC Prudential Life Insurance Company Ltd. under the SFO.
- (6) 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.

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 2022, 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.

Other Information (Continued)

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Due to work reallocation, Mr. Tang Haolai has resigned from his position as a non-executive Director of the Company with effect from 20 January 2022. For details, please refer to the announcement of the Company dated 20 January 2022.

Mr. Shi Jinglei was considered and appointed as a non-executive Director of the Company on 11 March 2022 by the Extraordinary General Meeting held on the same day. For details, please refer to the announcements dated 20 January 2022 and 11 March 2022 and the circular dated 16 February 2022 of the Company.

Mr. Zhao Guangmin has been appointed as the safety director of the Company with effect from 20 January 2022. For details, please refer to the announcement of the Company dated 20 January 2022.

Mr. Li Hua has resigned from his position as an independent non-executive Director due to his personal physical conditions since 21 April 2022. Until the new independent non-executive Director and the member of respective Board committees of the Company take office, Mr. Li shall continue to perform his duties and obligations as an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee and the member of respective Board committees. For details, please refer to the announcement dated 21 April 2022 of the Company.

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

Mr. Liu Qiang has resigned as a deputy general manager of the Company due to the work adjustment with effect from 12 July 2022. Upon the resignation, Mr. Liu will continue to serve as an executive Director, deputy secretary of the party committee and the chairman of the labor union of the Company. For details, please refer to the announcement dated 12 July 2022 of the Company.

Mr. Lian Shengguo has been appointed as the deputy general manager of the Company with effect from 12 July 2022. For details, please refer to the announcement dated 12 July 2022 of the Company.

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

Other Information (Continued)

CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Chen Dalong ceased to serve as a director and the general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited since 1 July 2022.

Mr. Wu Yongfu ceased to serve as the head of the Finance and Ownership Department of Guoneng Power Technology & Engineering Co., Ltd. and has been appointed as the deputy director at the engineering and construction center of Guoneng Power Technology & Engineering Co., Ltd..

Mr. Zhou Cenyu has been appointed as a director of Shandong Hi-speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司) on 12 July 2022.

Save as disclosed above, since the date of the Company's 2021 Annual Report and up to the date of this report, there were no other changes in the information of the Directors and the Supervisors which shall be disclosed and has been disclosed under Rule 13.51B(1) of the Listing Rules.

MATERIAL LITIGATION AND ARBITRATION

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

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The Board is responsible for the implementation of corporate governance, including: (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 has been in compliance with the applicable code provisions 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.



Other Information (Continued)

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 2022.

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 2022.

Report on Review of Interim Financial Information

To the board of directors of Qilu Expressway Company Limited

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

Introduction

We have reviewed the interim financial information set out on pages 25 to 44, 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 2022 and the related condensed consolidated statements of profit or loss, 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 2022

Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	988,210	911,299
Cost of sales		(387,955)	(272,706)
Gross profit		600,255	638,593
Other income and gains		20,204	10,547
Administrative expenses		(27,899)	(29,725)
Impairment losses on contract assets		(182)	(505)
Other expenses		(166)	(46)
Finance costs		(52,296)	(68,437)
Share of profit/(loss) of an associate		862	(161)
PROFIT BEFORE TAX	6	540,778	550,266
Income tax expense	7	(135,673)	(142,361)
PROFIT FOR THE PERIOD		405,105	407,905
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		405,105	407,905
Attributable to:			
Owners of the parent		405,105	407,905
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9		
– For profit for the period		RMB0.20	RMB0.20
Diluted			
– For profit for the period		RMB0.20	RMB0.20

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	280,897	309,030
Investment properties		20,036	19,674
Right-of-use assets		71,518	73,718
Intangible assets	11	5,454,055	5,376,248
Investment in an associate		22,200	21,338
Deferred tax assets		2,028	1,941
Other non-current assets		834,318	2,787
Total non-current assets		6,685,052	5,804,736
CURRENT ASSETS			
Inventories		3,091	3,917
Trade and bills receivables	12	135,011	132,733
Contract assets		64,823	59,009
Other current assets		6,343	10,414
Prepayments and other receivables		51,140	34,600
Financial assets at fair value through profit or loss		1,001,339	–
Cash and cash equivalents		987,615	587,477
Total current assets		2,249,362	828,150
CURRENT LIABILITIES			
Trade payables	16	206,508	148,645
Dividend payables	8	360,000	–
Other payables		95,688	178,344
Interest-bearing bank and other borrowings	14	336,481	352,148
Lease liabilities		2,844	2,870
Tax payable		61,013	54,472
Provisions	15	142,612	163,800
Total current liabilities		1,205,146	900,279
NET CURRENT ASSETS/(LIABILITIES)		1,044,216	(72,129)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,729,268	5,732,607
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	2,367,642	2,223,810
Lease liabilities		68,668	73,041
Other payables		20,355	22,562
Deferred tax liabilities		39,616	20,940
Total non-current liabilities		2,496,281	2,340,353
Net assets		5,232,987	3,392,254
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	2,000,000	2,000,000
Other equity instruments		1,801,020	–
Other reserves		147,198	147,198
Retained earnings		1,284,769	1,245,056
Total equity		5,232,987	3,392,254

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Note	Attributable to owners of the parent					Total equity RMB'000
		Share capital RMB'000	Capital reserves RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained profits RMB'000	
At 1 January 2022 (audited)		2,000,000	-	-	147,198	1,245,056	3,392,254
Profit for the period		-	-	-	-	405,105	405,105
Total comprehensive income for the period		-	-	-	-	405,105	405,105
Capital invested by holders of other equity instruments-perpetual bonds		-	-	1,795,628	-	-	1,795,628
Profit distribution to perpetual bond		-	-	5,392	-	(5,392)	-
Final 2021 dividend declared	8	-	-	-	-	(360,000)	(360,000)
At 30 June 2022 (unaudited)		2,000,000	-	1,801,020	147,198	1,284,769	5,232,987

	Note	Attributable to owners of the parent					Total equity RMB'000
		Share capital RMB'000	Capital reserves RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained profits RMB'000	
At 1 January 2021 (audited)		2,000,000	-	-	61,619	837,201	2,898,820
Profit for the period		-	-	-	-	407,905	407,905
Total comprehensive income for the period		-	-	-	-	407,905	407,905
Final 2020 dividend declared	8	-	-	-	-	(360,000)	(360,000)
At 30 June 2021 (unaudited)		2,000,000	-	-	61,619	885,106	2,946,725

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	540,778	550,266
Adjustments for:		
Finance costs	52,296	68,437
Share of (profit)/loss of an associate	(862)	161
Interest income from financial assets at fair value through profit or loss	(1,726)	(4,248)
Fair value gains from financial assets at fair value through profit or loss	(1,339)	(603)
Bank interest income	(13,661)	(1,870)
Loss on disposal of items of property, plant and equipment and intangible assets	-	31
Depreciation of property, plant and equipment	28,458	29,713
Depreciation of investment properties	451	442
Depreciation of right-of-use assets	2,200	2,227
Amortisation of intangible assets	124,332	157,387
Impairment of trade receivables, net	166	(231)
Impairment of contract assets, net	182	505
Impairment of prepayments and other receivables, net	-	(240)
Foreign exchange differences, net	45	15
Decrease/(increase) in inventories	826	(710)
(Increase)/decrease in trade and bills receivables	(2,444)	2,844
Increase in contract assets	(5,996)	(16,538)
Increase in prepayments and other receivables	(49,840)	(2,480)
Decrease/(increase) in other current assets	4,071	(5,576)
Decrease in trade payables	(23,630)	(35,762)
(Decrease)/increase in other payables	(55,876)	10,709
(Decrease)/increase in provisions	(21,188)	5,000
Cash generated from operations	577,243	759,479
Interest received	10,525	1,870
Income tax paid	(110,543)	(148,289)
Net cash flows from operating activities	477,225	613,060

continued/...

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(1,200,000)	(822,300)
Proceeds from derecognition of financial assets at fair value through profit or loss	200,000	884,536
Interest received from financial assets at fair value through profit or loss	1,726	6,816
Purchase of property, plant and equipment and intangible assets	(525,498)	(5,867)
Proceeds from disposal of items of property, plant and equipment	–	22
Purchase of investment properties	(205)	–
Payments for other investing activities	(402,760)	(2,760)
Net cash flows from/(used) investing activities	(1,926,737)	60,447
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of perpetual bonds	1,795,628	–
Proceeds from interest-bearing bank and other borrowings	289,209	–
Repayment of interest-bearing bank and other borrowings	(160,241)	(470,159)
Payment of interest expenses	(50,790)	(66,625)
Principle portion of lease payments	(4,399)	(4,320)
Interest portion of lease payments	(1,756)	(1,827)
Other financing activities	(17,956)	–
Net cash flows from/(used) in financing activities	1,849,695	(542,931)
NET INCREASE IN CASH AND CASH EQUIVALENTS	400,183	130,576
Cash and cash equivalents at beginning of period	587,477	74,731
Effect of foreign exchange rate changes, net	(45)	(15)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	987,615	205,292

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, 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 3
Amendment to HKFRS 16

Amendments to HKAS 16
Amendments to HKAS 37
Annual Improvements to HKFRSs 2018-2020

Reference to the Conceptual Framework
Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples
accompanying HKFRS 16, and HKAS 41

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

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.

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

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

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Expressway business	796,987	887,450
Construction business	184,845	21,011
Other businesses	4,125	578
Revenue from other sources		
Rental income	2,253	2,260
	988,210	911,299

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

5. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

	Expressway business RMB'000 (Unaudited)	Construction business RMB'000 (Unaudited)	Other businesses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition				
Services transferred at a point in time	796,987	–	4,125	801,112
Services transferred over time	–	184,845	–	184,845
Total revenue from contracts with customers	796,987	184,845	4,125	985,957

For the six months ended 30 June 2021

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	28,458	29,713
Depreciation of investment properties	451	442
Depreciation of right-of-use assets	2,200	2,227
Amortisation of intangible assets	124,332	157,387
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	166	(231)
Impairment of contract assets, net	182	505
Impairment of financial assets included in prepayments and other receivables	—	(240)
Loss on disposal of items of property, plant and equipment, net	—	31

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 2021: Nil).

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2021: 25%) of the assessable profits during the period.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax		
Charge for the period	116,541	136,696
Under provision in prior periods	543	4,077
Deferred income tax	18,589	1,588
Total tax charge for the period	135,673	142,361

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

8. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared – RMB0.180 (2021: RMB0.180) per ordinary share	360,000	360,000

On 30 March 2022, the board of the Company declared the dividend of approximately RMB0.180 per ordinary share, amounting to a total of approximately RMB360,000,000, which was approved at the Company's Annual General Meeting on 28 June 2022.

As at 30 June 2022, 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 2022 (six months ended 30 June 2021: Nil).

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

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings Profit attributable to owners of the parent	405,105	407,905
Shares Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,000,000	2,000,000
Basic and diluted earnings per share (<i>expressed in RMB per share</i>)	0.20	0.20

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at beginning of period	309,030	333,701
Additions	933	24,162
Depreciation	(28,458)	(48,780)
Disposals	–	(53)
Transfers	(608)	–
Carrying amount at end of period	280,897	309,030

11. INTANGIBLE ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at beginning of period	5,376,248	5,621,348
Additions	202,139	46,250
Amortisation	(124,332)	(291,350)
Carrying amount at end of period	5,454,055	5,376,248

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

12. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	141,302	138,658
Impairment	(6,291)	(6,125)
Trade receivables, net	135,011	132,533
Bills receivable	–	200
	135,011	132,733

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	44,666	92,868
one to two years	90,345	39,665
	135,011	132,533

13. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of shares	2,000,000,000	2,000,000,000
Share capital (RMB'000)	2,000,000	2,000,000

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current:		
Bank loans – secured	192,786	249,511
Bank loans – unsecured	143,695	102,637
	336,481	352,148
Non-current:		
Bank loans – secured	966,756	894,470
Bank loans – unsecured	1,400,886	1,329,340
	2,367,642	2,223,810
	2,704,123	2,575,958
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Within one year	336,481	352,148
In the second year	432,999	845,778
In the third to fifth years, inclusive	1,426,467	1,278,914
Beyond five years	508,176	99,118
	2,704,123	2,575,958

15. PROVISIONS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at beginning of period	163,800	177,468
(Reversal)/additional provisions	(9,717)	35,574
Utilisation of provisions	(11,471)	(49,242)
Carrying amount at end of period	142,612	163,800

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

16. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	161,455	98,459
Between 1 and 2 years	42,793	47,560
Between 2 and 3 years	2,260	2,626
	206,508	148,645

Included in the trade payables is an amount of RMB22,187,000 (31 December 2021: RMB22,522,000) due to an associate, which is payable on credit terms similar to those offered by the associate to its major customers.

17. CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

18. COMMITMENTS

At 30 June 2022, the capital expenditure contracted for but not recognised as liabilities was as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Upgrade project of the Ji-He Expressway	9,357,322	182,585
Upgrade project of the Deshang Expressway and Shennan Expressway	37,540	47,078
	9,394,862	229,663

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

19. RELATED PARTY TRANSACTIONS

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

(a) Information of related parties

	Relationships with the Group
Shandong Hi-Speed Group Company Limited ("Shandong Hi-Speed Group")	Ultimate holding Company
Shandong Hi-Speed Company Limited ("Shandong Hi-Speed")	Controlling shareholder of the Company
COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)")	Shareholder of the Company
Guoneng Power Technology & Engineering Co.,Ltd ("Guoneng Power")	Shareholder of the Company
Shandong Transportation Engineering Supervision Consulting Co., Ltd. ("Shandong Transportation Supervision")	Fellow subsidiary of the Company
Shandong Hi-Speed Information Group Company Limited ("Shandong Hi-Speed Information")	Fellow subsidiary of the Company
Shandong Hi-Speed Transportation Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Tongwei Information Engineering Co., Ltd. ("Shandong Tongwei")	Fellow subsidiary of the Company
Shandong Luqiao Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Xinlian Technology Co., Ltd. ("Shandong Hi-Speed Xinlian Technology")	Fellow subsidiary of the Company
Shandong Traffic Planning Design Institute	Fellow subsidiary of the Company
Weihai City Commercial Bank	Fellow subsidiary of the Company
Shandong Expressway Smart City Service Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Service Development Group Co., Ltd. Auto Rental Jinan Branch ("Shandong Hi-Speed Service Development")	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Project Management Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Information Engineering Co., Ltd	Fellow subsidiary of the Company
Shandong Hi-Speed Land Development Co., Ltd. ("Shandong Hi-Speed Land Development")	Fellow subsidiary of the Company
Shandong Aobang Traffic Facilities Engineering Co., Ltd ("Shandong Aobang")	Fellow subsidiary of the Company
Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Jinan Xinyue")	Associate of the Company

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

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

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Purchases of equipment:			
Shandong Tongwei	(i)	–	940
Shandong Hi-Speed Information Engineering Co.,Ltd.	(i)	–	34
Employee service fees:			
Shandong Hi-Speed Group	(i)/(ii)	14,364	14,371
Interest expenses:			
Shandong Hi-Speed Group	(i)	–	5,588
Purchases of goods:			
Jinan Xinyue	(i)	1,497	–
Sales of goods:			
Jinan Xinyue	(i)	–	23
Rent of land:			
Shandong Hi-Speed Group	(i)	5,774	5,774
Purchases of services:			
Shandong Hi-Speed Land Development	(i)	30,000	–
Shandong Expressway Smart City Service Co., Ltd	(i)	66	–
Shandong Hi-Speed Service Development	(i)	3	–
Maintenance services:			
Shandong Tongwei	(i)	1,030	402
Shandong Hi-Speed Information	(i)	322	–
Shandong Hi-Speed Information Engineering Co.,Ltd.	(i)	–	2
Bank interest income:			
Weihai City Commercial Bank	(i)	3,587	–
		56,643	27,134

Notes:

- (i) During the reporting period, the transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed Group with an effective date of 11 August 2020 for the secondment of the Public-Sector Employees to provide toll collection and maintenance services for the Deshang Expressway and Shennan Expressway. Service fees are determined on a cost-plus basis based on relevant staff costs plus 6.57%. The service fees were RMB14,364,000 during the period (six months ended 30 June 2021: RMB14,371,000).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deposit balance:		
Weihai City Commercial Bank	220,094	30,000
Prepayments and other receivables:		
Jinan Xinyue	744	516
Shandong Hi-Speed Xinlian Technology	67	22
	811	538
Trade payables:		
Jinan Xinyue	22,187	22,522
Shandong Tongwei	307	81
Shandong Luqiao Group Co., Ltd.	199	199
Shandong Traffic Planning Design Institute	50	50
Shandong Transportation Supervision	39	60
	22,782	22,912
Other payables:		
Shandong Hi-Speed Group (i)	32,448	38,860
Shandong Hi-Speed Information	16,328	16,328
Shandong Luqiao Group Co., Ltd.	1,793	200
Shandong Hi-Speed Transportation Engineering Co., Ltd.	758	757
Shandong Expressway Smart City Service Co., Ltd	273	–
Shandong Transportation Supervision	55	55
Shandong Traffic Planning Design Institute	50	–
Shandong Aobang	20	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.	–	600
Shandong Transportation Supervision	–	300
	51,725	57,100
Dividend payables:		
Shandong Hi-Speed	140,130	–
COSCO SHIPPING (Hong Kong)	108,000	–
Guoneng Power	21,870	–
	270,000	–

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Note:

- (i) An amount of RMB23,115,000 represented the payable for the lease of land and property of Jihe Expressway in respect of the Concession Arrangement with an annual payment of RMB2,760,000 for the years from 2018 to 2034. The amount was measured at the present value of lease payments to be made over the lease term.

An amount of RMB9,333,000 represented the payable for employee service fees of Deshang Expressway and Shennan Expressway.

The amount of RMB2,760,000 in relation to the land and property lease for the six months ended 30 June 2022 was paid in March 2022.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	1,001,339	–	1,001,339	–
Financial liabilities				
Interest-bearing bank and other borrowings	2,704,123	2,575,958	2,371,128	2,522,531
Other payables non-current	20,355	22,562	20,355	22,562
	2,724,478	2,598,520	2,391,483	2,545,093

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

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

The fair values of interest-bearing bank and other borrowings and the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own-performance risk for interest-bearing bank and other borrowings and non-current portion of other payables as at 30 June 2022 were assessed to be insignificant.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:	–	1,001,339	–	1,001,339

The Group did not have any financial assets measured at fair value at 31 December 2021.

The Group did not have any financial liabilities measured at fair value at 30 June 2022 (31 December 2021: 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 2021: Nil).

21. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events take 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 2022.