

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

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

Stock Code: 1576



2022 ANNUAL REPORT



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Definitions and Glossary of Technical Terms

“2021 to 2023 Financial Services Framework Agreement”	the financial service framework agreement entered into between the Company and Weihai City Commercial Bank on 31 August 2021
“2021-2023 General Services Framework Agreement”	the agreement dated 18 June 2021 and entered into between the Company and Shandong Hi-Speed Group for the provision of the general highway business operation services by Shandong Hi-Speed Group and its relevant subordinated entities to the Group for the three years ending 31 December 2023
“2022 AGM”	the 2022 annual general meeting of the Company to be convened and held on Tuesday, 27 June 2023 or the adjournment thereof
“2022 Final Dividend”	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.18 (tax inclusive) per Share
“2023 Deshang and Shennan Expressways Service Agreement”	the service agreement dated 30 December 2022 and entered into between the Company and Shandong Hi-Speed Group and Shandong Hi-Speed Group Liaocheng Branch in relation to, among others, the secondment of the Public-Sector Employees to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways for the year ended 31 December 2023
“Acquisition Circular”	the circular of the Company dated 26 June 2020 in relation to, among others, the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Company from Qilu Transportation
“Advertisement Business”	the business of the Group in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
“Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Bank of Beijing”	Bank of Beijing Co., Ltd. Jinan Branch (北京銀行股份有限公司濟南分行), a joint stock limited company incorporated in the PRC with limited liability
“Board” or “Board of Directors”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“China”, “PRC” or “State”	the People’s Republic of China, which for the purpose of this report excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

Definitions and Glossary of Technical Terms

“China Shipping”	China Shipping Group Company Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of COSCO SHIPPING
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a limited liability company incorporated in the PRC, the entire equity interest of which is held by the Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is one of the controlling shareholders of the Company
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), a company incorporated in Hong Kong with limited liability, holding approximately 30.00% equity interest of the Company as at the date of this report, and is one of the controlling shareholders of the Company
“COSCO SHIPPING International”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company listed on the Stock Exchange (stock code: 517), a subsidiary of COSCO SHIPPING (Hong Kong)
“Debt Assignment Agreements”	the agreements entered into among the Company, Qilu Transportation and each of the Lending Banks upon completion of the transactions under the Transfer Agreement, to transfer the rights and obligations under the relevant bank facilities in respect of the construction projects of the Deshang and Shennan Expressways from Qilu Transportation to the Company with effect from the Transfer Agreement Effective Date
“Debt Assumption Agreement”	the agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which the Company agreed to assume the loans provided by Qilu Transportation for the Deshang and Shennan Expressways construction projects and the repayment thereof to Qilu Transportation with effect from the Transfer Agreement Effective Date

Definitions and Glossary of Technical Terms

“Deshang and Shennan Expressways”	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Deshang and Shennan Expressways Land Lease Agreement”	the land use right lease agreement entered into between the Company and Qilu Transportation on 2 June 2020 pursuant to which Qilu Transportation agreed to lease the land use rights in respect of a total of 27 parcels of land under the main line and the alongside facilities (excluding advertising and service facilities) of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular
“Deshang and Shennan Expressways Service Agreement”	the agreement dated 2 June 2020 and entered into among the Company, Qilu Transportation Liaocheng Branch and Qilu Transportation for the secondment of the employees of Qilu Transportation Liaocheng Branch recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways, details of which are set out in the Acquisition Circular
“Deshang and Shennan Expressways Toll Collection Rights”	the toll collection rights in respect of the Deshang and Shennan Expressways to be transferred to the Company under the Transfer Agreement, such rights comprise the rights in relation to (i) the operation, maintenance and management of the expressways and (ii) toll collection from vehicles passing along the expressways but do not include the operating rights in respect of the Advertisement Business (including the leasing of advertisement billboards built along the expressways and the provision of the advertisement publication services on those advertisement billboards) and operations of the service facilities along the expressways
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometers
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)

Definitions and Glossary of Technical Terms

“ETC”	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
“EUR”	Euros, the lawful currency of the European Union Member States
“Expressway Business”	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“General Procurement Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the procurement by the Group for certain types of goods from Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“General Sales Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the sales of certain types of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“Group”, “us” or “we”	the Company and 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 was listed and traded on the Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS”	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan – Guangzhou Expressway (Jinan to Heze Section), the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometers

Definitions and Glossary of Technical Terms

“Jihe Expressway Land Lease Agreement”	the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company the land use rights in respect of the land parcels of the Jihe Expressway, details of which are set out in the Prospectus
“Jihe Expressway Property Lease Agreement”	the agreement entered into between the Company and Qilu Transportation on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company a total of 45 properties used by the seven management centres and one maintenance and emergency response centre on the Jihe Expressway, details of which are set out in the Prospectus
“Jinan Xinyue”	Jinan Xinyue New Road Material Research and Development Company Limited (濟南鑫岳新型道路材料研發有限公司), a limited liability company incorporated under the laws of the PRC and an associate held by the Group through Shandong Gangtong Construction as to 40% of its equity interest
“Joint Restructuring”	the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group pursuant to the Merger Agreement
“Lending Bank(s)”	collectively, China Construction Bank Corporation Jinan Zhenzhuquan Subbranch (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), Agricultural Bank of China Limited Jinan Yinhe Subbranch (中國農業銀行股份有限公司濟南銀河支行), Industrial and Commercial Bank of China Limited Jinan Centre Subbranch (中國工商銀行股份有限公司濟南市中支行), Bank of Communications Co., Ltd. Jinan Long’ao Subbranch (交通銀行股份有限公司濟南龍奧支行) and Shanghai Pudong Development Bank Co. Ltd. Jinan Heping Road Subbranch (上海浦東發展銀行股份有限公司濟南和平路支行)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger Agreement”	the merger agreement dated 23 September 2020 and entered into between Shandong Hi-Speed Group and Qilu Transportation in relation to the Joint Restructuring
“Ministry of Transport”	the Ministry of Transport of the People’s Republic of China (中華人民共和國交通運輸部)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions and Glossary of Technical Terms

“Nomination Committee”	the nomination committee of the Board
“Other Financial Services”	services including bank acceptance notes, discounting of commercial bills, domestic letters of guarantees, letters of credit, online remittance, foreign exchange remittance and other financial services approved by CBIRC
“PBoC”	the People’s Bank of China, the central bank of the PRC
“Prospectus”	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering
“Qilu Transportation”	Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015 and deregistered by the PRC competent authorities upon completion of the Joint Restructuring on 16 November 2020, and a then controlling shareholder before completion of the Joint Restructuring
“Qilu Transportation Liaocheng Branch”	Shandong Hi-Speed Group Company Limited Liaocheng Branch (山東高速集團有限公司聊城分公司) (formerly known as Qilu Transportation Development Group Company Limited Liaocheng Branch (齊魯交通發展集團有限公司聊城分公司)), formerly a branch company of Qilu Transportation before completion of the Joint Restructuring and currently a branch company of Shandong Hi-Speed Group
“R&E Project”	the Jihe Expressway reconstruction and expansion project
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Reporting Period” or “Year”	the year ended 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Services Provision Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022 in relation to, among other things, the provision of specific services from the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Definitions and Glossary of Technical Terms

“Shandong 9-5-1-7 Expressway Network”	the “nine-vertical; five-traverse; one-ring and seven-radians and multiple connections (九縱五橫一環七射多連)” layout of the Shandong provincial expressway network under the Shandong Provincial Expressway Network Middle-to-Long Term Development Plan (2018-2035) 《山東省高速公路網中長期規劃(2018-2035)》 promulgated by the Shandong Provincial Government, whereby the total length of expressways under the network will reach 9,000 km by 2035
“Shandong Gangtong Construction”	Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this report
“Shandong Hi-Speed”	Shandong Hi-speed Company Limited (山東高速股份有限公司), a company incorporated in the PRC with limited liability, 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 of the Company as at the date of this report, is an existing controlling shareholder
“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 of the Company through its subsidiary Shandong Hi-Speed, is a current controlling shareholder
“Shandong Hi-Speed Group and its relevant subordinated entities”	Shandong Hi-Speed Group and its subsidiaries, branches and associates
“Shandong Provincial Government”	People’s Government of Shandong Province, China (中國山東省人民政府)
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the Shandong Province (山東省政府國有資產監督管理委員會)
“Shandong Shunguang Industrial”	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC, a wholly-owned subsidiary of the Company as at the date of this report
“Shandong Transport Department”	Shandong Provincial Traffic Transport Department (山東省交通運輸廳)
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)

Definitions and Glossary of Technical Terms

“Shennan Expressway”	an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometers
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“Subsisting Agreements”	collectively the Jihe Expressway Property Lease Agreement, the Jihe Expressway Land Lease Agreement, the Deshang and Shennan Expressways Land Lease Agreement, the Debt Assignment Agreement, the Debt Assumption Agreement and the Deshang and Shennan Expressways Service Agreement
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law
“Tripartite Agreements”	the tripartite agreements of which Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution on 26 November 2020 in relation to, among other things, the confirmation of the assumption of all contractual rights and obligations of Qilu Transportation under the Subsisting Agreements by Shandong Hi-Speed Group
“USD”	United States dollars, the lawful currency of the United States of America
“Weihai City Commercial Bank”	Weihai City Commercial Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (Stock Code: 9677)
“WMP”	the wealth management product under the agreement entered into between the Company and the Bank of Beijing on 23 September 2022 in relation to the subscription for a structured deposit product in the principal amount of RMB600,000,000
“%”	per cent

Corporate Information

REGISTERED NAME OF THE COMPANY

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

LEGAL REPRESENTATIVE

Mr. Wang Zhenjiang

BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Zhou Cenyu
Mr. Su Xiaodong
Ms. Kong Xia
Mr. 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 corresponding 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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISER AS TO PRC LAW

DeHeng Law Offices (Jinan)

Building 2, Yinfeng Science Park
No. 567, Shuntai North Road
High-tech Zone, Jinan City
Shandong Province, the 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, the PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

China Construction Bank Corporation, Changqing Sub-branch
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
Agricultural Bank of China Limited Jinan Yinhe Subbranch
Industrial and Commercial Bank of China Limited Jinan Centre Subbranch
Bank of Communications Co., Ltd. Jinan Long'ao Subbranch
Bank of Beijing Co., Ltd. Jinan Branch

H SHARE REGISTRAR IN HONG KONG

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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

www.qlecl.com

STOCK CODE

1576

Chairman's Statement

Dear valued Shareholders,

On behalf of the Board of Directors, I am honored to present you the 2022 annual results of the Company. In 2022, all employees of the Company gathered strength, united and endeavoured for development, and anchored the goals on business development. Our efforts have achieved remarkable results.

I. MACROECONOMIC ENVIRONMENT AND SOCIAL DEVELOPMENT

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

II. REVIEW OF OUR OPERATIONS

Scientifically-led innovation strategy, transformation and development breaks the momentum.

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

Chairman's Statement

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

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

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

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

Chairman's Statement

III. OUTLOOK

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

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

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

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

Chairman's Statement

Adhering to the bottom line of safety development and improving the level of safety management.

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

In the new year, the Company will step up its efforts with precision and closely focus on the vision and goal of “becoming a leading provider of expressway comprehensive services”, improve its core competitiveness in all aspects with a firm belief and give back to shareholders and the society with remarkable results. Taking this opportunity, I would like to extend my sincere gratitude to all Shareholders and business partners for their strong support and assistance to the Company and all employees of the Company for their diligence and hard work.

Qilu Expressway Company Limited

Wang Zhenjiang

Chairman

24 March 2023

Financial Highlights

	Change <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated) ⁽¹⁾	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Summary of consolidated statement of profit or loss and other comprehensive income						
Revenue	935,985	2,931,294	1,995,309	1,689,536	1,632,243	921,735
Gross profit	(164,294)	1,159,387	1,323,681	983,133	951,850	622,527
Profit before income tax	(100,299)	1,041,521	1,141,820	827,281	795,250	544,517
Profit and total comprehensive income attributable to owners of the Company	(73,378)	780,056	853,434	620,776	595,728	408,505
Basic/diluted earnings per share (<i>RMB</i>)	(0.04)	0.39	0.43	0.31	0.30	0.24
Summary of consolidated statement of financial position						
Cash and cash equivalents	92,130	679,607	587,477	74,731	1,397,177	1,006,860
Current liabilities	207,991	1,108,270	900,279	976,446	1,358,613	518,617
Total assets	3,779,676	10,412,562	6,632,886	6,708,047	7,990,673	4,353,266
Borrowings	1,189,146	3,765,104	2,575,958	3,257,067	2,541,985	510,000
Gearing ratio (%)	(1.47)%	35.49%	36.96%	52.33%	18.79%	N/A
Net assets per Share (<i>RMB</i>)	1.16	2.86	1.70	1.45	2.47	1.77
Return on net assets (%)	(11.54)%	13.62%	25.16%	21.41%	12.04%	11.57%
Summary of consolidated statement of cash flows						
Net cash flows from operating activities	(616,411)	730,479	1,346,890	1,138,143	1,370,233	667,836
Net cash flows from investing activities	(3,476,551)	(3,140,078)	336,473	(2,734,529)	(181,944)	(411,663)
Net cash flows from financing activities	3,675,865	2,505,603	(1,170,262)	271,424	(800,720)	319,553
Net increase (decrease) in cash and cash equivalents	(417,097)	96,004	513,101	(1,324,962)	387,569	575,726

Note:

- (1) As a result of the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Group which has been accounted for as a business combination under common control, for the purpose of illustration, the Group has restated the 2019 comparative amounts of the consolidated statement of profit or loss and other comprehensive income by including the operating results of the Deshang and Shennan Expressways and eliminating the transactions with the Deshang and Shennan Expressways, as if the acquisition of the Deshang and Shennan Expressways Toll Collection Rights had been completed on 1 January 2019. The consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group as at 31 December 2019 were also restated to include the financial data related to the Deshang and Shennan Expressways Toll Collection Rights. However, no such restatement has been made to the consolidated financial statements of the Group for the two years ended 31 December 2018.

Management Discussion and Analysis

FINANCIAL REVIEW

Operations

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

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

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

Revenue

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

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

Management Discussion and Analysis

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

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

During the Reporting Period, the Group recorded the rental income of approximately RMB4,663,000, representing a decrease of approximately 2.38% from that of RMB4,777,000 of last year. The rental income mainly represented the service income arising from leasing of the advertisement billboards along both sides of the Jihe Expressway of approximately RMB2,944,000 (representing a decrease of approximately 8.18% from that of approximately RMB3,206,000 of last year), and the rental income from the leasing of the communication signal transmission pipelines along the expressways and investment properties of approximately RMB1,719,000 (representing an increase of approximately 9.42% from that of RMB1,571,000 of last year).

Cost of Sales and Gross Profit

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

Management Discussion and Analysis

Other Income and Gains

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

Administrative Expenses

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

Impairment Losses on Contract Assets

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

Other Expenses

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

Finance Costs

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

Management Discussion and Analysis

Share of Profits and Losses of an Associate and Joint Ventures

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

Net Profit Attributable to the Parent During the Year

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

Liquidity and Financial Resources

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

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

Notes:

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

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

Pledge of Assets and Contingent Liabilities

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

Management Discussion and Analysis

Employees, Remuneration Policy and Pension Plans

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

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

Foreign Exchange Risk

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

As at 31 December 2022, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

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

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

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

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

(RMB'000)

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

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

Management Discussion and Analysis

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

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

BUSINESS REVIEW

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

Expressway Business

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

Management Discussion and Analysis

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

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

Notes:

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

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

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

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

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

Management Discussion and Analysis

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

- (1) in 2022, the severe pandemic situation in some regions of the PRC as well as the implementation of various pandemic prevention and control measures led to a general decrease in social operation and people's travel, and had a significant impact on the traffic flow on expressways;
- (2) due to the increasing oil prices and other factors, the traffic volume of large trucks in the expressway network and the relevant profit sharing derived therefrom recorded a corresponding decrease; and
- (3) the construction of the reconstruction and expansion from Yinjialin Junction to Taishan Junction of the Beijing-Taiwan Expressway was completed on 12 October 2022 with two-way traffic and an upgraded road environment. As a competing road section, the traffic on the Beijing-Taiwan Expressway diverted part of the vehicles on the Jihe Expressway, resulting in a reduction of the traffic flow of the Jihe Expressway.

Toll Collection Policy

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

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

Management Discussion and Analysis

Rental Income

During the Reporting Period, the Group's rental income mainly represented the revenue from the Advertisement Business and the leasing of the communication signal transmission pipeline along the expressways and the investment properties of approximately RMB4,663,000. As at the end of the Reporting Period, there were 49 billboards in normal operation along the Jihe Expressway. Rental income accounted for a relatively small proportion of the Group's revenue during the Reporting Period. Meanwhile, the Group was actively nurturing new revenue growth points for the leasing business.

Construction Business

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

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

Management Discussion and Analysis

Sale of Industrial Products

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

R&E Project of the Jihe Expressway

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

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

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

Management Discussion and Analysis

PROSPECTS

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

EVENTS AFTER THE REPORTING PERIOD

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

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

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high level of corporate governance. The Board is responsible for the implementation of corporate governance, including: (a) formulating, developing and reviewing the corporate governance policies and practices of the Company; (b) reviewing and supervising the training and continuous professional development of the Directors and senior management; (c) reviewing and supervising the policies and practices for the compliance of laws and regulatory requirements by the Company; (d) developing, reviewing and supervising the code of conduct and compliance manual, if any, for employees and the Directors; and (e) reviewing the compliance of the Corporate Governance Code by the Company and the disclosures in corporate governance reports. In the past year, actions and measures were taken by the Board to improve the corporate governance gradually and further strengthen the development of the Company's corporate governance system. The Board believes that an effective corporate governance system can safeguard the interests of Shareholders and promote the corporate value and accountability of the Group.

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

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

Corporate Governance Report

CORPORATE CULTURE

Since its establishment, the Group's business has continued to expand in an orderly manner with unique features. With the advent of the era of digital economy and the changes in the domestic and international economic environment and industry development situation, the Group has systematically formed its cultural concepts and value propositions in the new era, condensed into its unique corporate culture brand "Smart and Beauty of Qilu", and realized the Group's goal of sustainable and high-quality development.

Smart

- In the future, the Company will implement a diversified development strategy, guided by intelligent transportation, driven by scientific and technological innovation, and industry-finance interaction. Meanwhile, it will cultivate intellectual-intensive professionals, promote high-quality development of enterprises, and strive to become an international and modern first-class enterprise.

Beauty

- The Company is a Hong Kong listed company with specialized main business and stable benefits, exquisite and beautiful. The mission of the Company is to connect the beautiful world, enable a better travel life and create a better future.

Travel

- The Company gained a heavy customer traffic and travels at high speed. The staff will continue to improve and forge ahead with good conduct.

The sound is the same as the "beauty", the ancients pursued "benevolent enjoys mountains, the wise man takes pleasure in water, and the Tao follows nature", which can be the best! The humanistic realm pursued by the business philosophy of the Group is "road – vehicle – people – network", which is in harmony with heaven and earth, nature and ecology. The Company adheres to the cultural concept of "Smart and Beauty of Qilu", creates intelligent expressway, smooth, safe, comfortable and harmonious expressway, and pursues the goal of sustainable development, so as to make the development of the Group stable and far.

Corporate Governance Report

THE BOARD

Duties and Division of Responsibilities

The Board shall act in the interests of all Shareholders and shall be accountable to general meetings. The Board shall mainly be responsible for: implementing the resolutions of general meetings; determining the medium and long-term development plan of the Company; determining the operation plans and investment programmes of the Company; formulating the annual financial budget plans and final accounting plans of the Company; formulating the profit distribution plans of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company. The Company has established four special committees under the Board to oversee specific matters of the Company, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. The Board has delegated various duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making an informed decision.

Chairman of the Board and General Manager

The Board is responsible for decision making on important matters of the Company and the management is authorised to conduct and manage the daily operation of the Company. The Company does have the post of general manager. During the Year, Mr. Wang Zhenjiang and Mr. Peng Hui acted as the chairman of the Board and the general manager of the Company, respectively, with a clear division of responsibilities. The chairman of the Board shall oversee the work of the Board and monitor the implementation of the resolutions adopted by the Board, and the general manager shall mainly manage the operation and coordinate the business of the Company under the leadership of the Board. As such, the Company has complied with code provision A.2.1 of the Corporate Governance Code. Save as disclosed in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report, there was no financial, business, family or other material relationship between the Directors and between the chairman of the Board and the general manager.

Composition of the Board

As at 31 December 2022, the Board was comprised of fifteen Directors, including three executive Directors, namely Mr. Wang Zhenjiang (Chairman of the Board), Mr. Peng Hui (General Manager) and Mr. Liu Qiang; seven non-executive Directors, namely Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Du Zhongming and Mr. Shi Jinglei; and five independent non-executive Directors, namely Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping. Brief biographies of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

Corporate Governance Report

During the Year, the Board has complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules to have at least three independent non-executive Directors and at least one of the independent non-executive Directors having the appropriate professional qualifications or accounting or related financial management expertise. Besides, Rule 3.10A of the Listing Rules stipulates that independent non-executive directors shall represent at least one-third of the board. The Company had five independent non-executive Directors, representing one-third of the total number of Directors; therefore, the Company has been in compliance with the relevant requirements.

In accordance with the Articles of Association, the Directors (including the non-executive Directors) shall have a term of office of three years from the date of passing the resolution of general meeting until the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than nine years.

Time Commitment of Directors

In addition to attending formal meetings, the Directors shall also review reports of the management and regular operation reports of the Company and understand all the affairs and matters of the Company through site visit and other channels, so as to effectively perform their duties. After due review, the Board is of the view that the Directors have devoted sufficient time and efforts to perform their duties as Directors during the Year.

Training and Professional Development of Directors

During the Year, all Directors have received trainings in the written form or by participating in seminars. The Directors shall be updated with the latest developments in legal and regulatory systems and the operation of the Company to facilitate the performance of their duties. Trainings are also provided for the Directors when necessary to ensure that the Directors have a proper understanding of the business and operation of the Group, and are fully aware of their responsibilities and obligations under the Listing Rules and the applicable legal requirements.

Corporate Governance Report

The individual training record of each Director received in the Year is summarised below:

Name	Attending or participating in seminars/reading materials relevant to the director's responsibilities
Executive Directors	
Mr. Wang Zhenjiang (<i>Chairman of the Board</i>)	✓
Mr. Peng Hui	✓
Mr. Liu Qiang	✓
Non-executive Directors	
Mr. Chen Dalong	✓
Mr. Wang Shaochen	✓
Mr. Zhou Cenyu	✓
Mr. Su Xiaodong	✓
Ms. Kong Xia	✓
Mr. Du Zhongming	✓
Mr. Shi Jinglei	✓
Independent Non-executive Directors	
Mr. Cheng Xuezhan	✓
Mr. Li Hua	✓
Mr. Wang Lingfang	✓
Mr. He Jiale	✓
Mr. Han Ping	✓

Meetings of the Board

Unless otherwise provided by the Articles of Association, a Board meeting shall only be held if more than one half of the Directors are present. A Director who is unable to attend a Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. An extraordinary Board meeting may be held and concluded resolutions through video conference, phone telephone or using written circulations. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have abstained his voting right thereat. The Board shall prepare minutes of Board meetings after the meetings are concluded to record the matters resolved. The minutes shall be signed by all the Directors who attended the meetings and the persons who prepared the minutes.

Corporate Governance Report

All Directors are provided with all relevant information of matters to be discussed at the Board meetings in a timely manner, and they may seek independent professional advice and services from the company secretary and senior management of the Company. Upon reasonable request to the Board, any Director may seek independent professional advice, as and when necessary, at the Company's expenses.

During the Year, the Board convened 14 meetings. The attendance record of the Directors at the Board meetings convened in the Year is as follows:

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Number of meetings attended by appointing another Director as proxy	Attendance rate
Executive Directors			
– Mr. Wang Zhenjiang (<i>Chairman of the Board</i>)	14/14	0	100%
– Mr. Peng Hui	14/14	0	100%
– Mr. Liu Qiang	14/14	0	100%
Non-Executive Directors			
– Mr. Chen Dalong	14/14	0	100%
– Mr. Wang Shaochen	14/14	0	100%
– Mr. Zhou Cenyu	14/14	0	100%
– Mr. Su Xiaodong	14/14	0	100%
– Ms. Kong Xia	14/14	0	100%
– Mr. Du Zhongming	14/14	0	100%
– Mr. Tang Haolai (<i>Resigned as a non-executive Director on 20 January 2022</i>)	N/A	N/A	N/A
– Mr. Shi Jinglei (<i>Appointed as a non-executive Director on 11 March 2022</i>)	12/12	0	100%
Independent Non-Executive Directors			
– Mr. Cheng Xuezhao	14/14	0	100%
– Mr. Li Hua	14/14	0	100%
– Mr. Wang Lingfang	14/14	0	100%
– Mr. He Jiale	14/14	0	100%
– Mr. Han Ping	14/14	0	100%

Corporate Governance Report

During the Year, the Company held 4 general meetings. The attendance record of the Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during the Director's term of office	Attendance rate
Executive Directors		
– Mr. Wang Zhenjiang (<i>Chairman of the Board</i>)	4/4	100%
– Mr. Peng Hui	4/4	100%
– Mr. Liu Qiang	4/4	100%
Non-Executive Directors		
– Mr. Chen Dalong	4/4	100%
– Mr. Wang Shaochen	4/4	100%
– Mr. Zhou Cenyu	4/4	100%
– Mr. Su Xiaodong	4/4	100%
– Ms. Kong Xia	4/4	100%
– Mr. Du Zhongming	4/4	100%
– Mr. Tang Haolai (<i>Resigned as a non-executive Director on 20 January 2022</i>)	N/A	N/A
– Mr. Shi Jinglei (<i>Appointed as a non-executive Director on 11 March 2022</i>)	3/3	100%
Independent Non-Executive Directors		
– Mr. Cheng Xuezhan	4/4	100%
– Mr. Li Hua	4/4	100%
– Mr. Wang Lingfang	4/4	100%
– Mr. He Jiale	4/4	100%
– Mr. Han Ping	4/4	100%

Corporate Governance Report

Board Committees

The Board has four special committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

During the Year, the attendance record of the Directors at the meetings of each Board committee is as follows:

Name	Number of meetings attended/Number of meetings held during Director's term of office			
	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Executive Directors				
– Mr. Wang Zhenjiang (Chairman of the Board)	–	–	3/3	1/1
– Mr. Peng Hui	–	–	–	1/1
– Mr. Liu Qiang	–	–	–	1/1
Non-Executive Director				
– Mr. Wang Shaochen	3/3	–	–	1/1
Independent Non-Executive Directors				
– Mr. Cheng Xuezhao	–	3/3	3/3	–
– Mr. Li Hua	3/3	3/3	3/3	1/1
– Mr. Wang Lingfang	–	3/3	3/3	–
– Mr. He Jiale	3/3	–	–	–

Audit Committee

The major responsibilities and authorisations of the Audit Committee include but are not limited to: (i) proposing the appointment, re-appointment or removal of external auditors; (ii) reviewing and supervising the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with the applicable standards; (iii) reviewing the financial information of the Company and its disclosures; (iv) supervising the financial reporting system, the risk management and the internal control procedures of the Company; and (v) strengthening the communication between the internal auditor and external auditors. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Directors, namely Mr. He Jiale, Mr. Wang Shaochen and Mr. Li Hua. Mr. He Jiale, an independent non-executive Director, acts as the chairman of the committee. All members of the Audit Committee are non-executive Directors, among whom, Mr. He Jiale and Mr. Li Hua are independent non-executive Directors.

Corporate Governance Report

During the Year, the Audit Committee convened 3 meetings to, among other things, review the financial results of the Group for the year ended 31 December 2021 and the financial results of the Group for the six months ended 30 June 2022 before submission to the Board for approval, discuss the proposal for the re-appointment of auditor for the year, discuss and consider the audit plan of the auditor for the year, and discuss the risk management and internal control systems of the Group currently in force.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements in this annual report and has discussed with the management on the financial statements and the internal control of the Company. The Audit Committee is of the view that these financial statements are prepared in accordance with the applicable accounting standards and requirements and the disclosure is adequate.

The Audit Committee is also aware of the existing risk management and internal control systems of the Group, and is aware that such systems shall be reviewed annually.

Summary of work performed by the Audit Committee

- To consider and adopt the Company's profit distribution and dividend declaration plan for the year of 2021 and to ensure the profit distribution is legal and compliant;
- To consider the final financial report for the year of 2021 and the financial budget for the year of 2022 of the Company to ensure the preparation of the final financial report and financial budget is scientific and reasonable;
- To consider the 2021 financial statements, the representation letters and results announcement issued by the external auditor to ensure the truthfulness and completeness of the annual financial data of external disclosure;
- To consider the Company's 2021 internal control evaluation report and review the effectiveness of the internal controls;
- To consider and approve the re-appointment of the auditor for 2022 and to determine the related audit fees;
- To consider the report on the Company's related party transactions and continuing connected transactions for 2021 and to ensure the truthfulness of the external disclosure of connected transactions;
- To consider the Company's 2022 interim financial statements, statement and results announcement to ensure the truthfulness and integrity of the financial disclosure data;
- To consider the Company's 2022 interim report to ensure the truthfulness and reasonableness of the data in the interim report;
- To consider and approve the resolution of the Company not distribute the interim dividend;
- To review the reasonableness of the annual audit plan of the external auditor and approve the implementation of the audit plan; and
- To invite external auditors to the meeting to discuss the 2021 annual results / 2022 half-year results.

Corporate Governance Report

Remuneration and Appraisal Committee

The major responsibilities and authorisations of the Remuneration and Appraisal Committee include: (i) evaluating the remuneration structures and policies for all Directors and senior management of the Company and providing advice to the Board on establishing of formal and transparent procedures for the formulation of remuneration policy; (ii) studying the policy and structure of the remunerations (including non-monetary benefits, pensions and allowances) and formulating the procedures for remuneration policy, and providing advice to the Board in this regard; formulating the procedures for remuneration policy shall be normal and open; (iii) making recommendations to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving the compensation arrangements for Directors who are dismissed or removed due to their misconduct so as to ensure that the arrangements are consistent with the contractual terms or are otherwise reasonable and appropriate if not consistent with the contractual terms; and (v) monitoring the implementation of the remuneration policy for Directors, Supervisors and senior management. The terms of reference of the Remuneration and Appraisal Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration and Appraisal Committee comprises three Directors, namely Mr. Li Hua, Mr. Cheng Xuezhao and Mr. Wang Lingfang, all being independent non-executive Directors. Mr. Li Hua, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Remuneration and Appraisal Committee convened 3 meetings to discuss the remuneration packages of Directors and senior management and make recommendations to the Board in this regard.

Directors' Remuneration Policy

The Company provided remuneration in the form of salaries, social security, housing funds, enterprise annuity and other benefits to executive Directors, directors and senior management members who are also employees of the Company; provided fixed remuneration to the independent non-executive Directors with reference to the industry conditions and the actual situation of the Company's production and operation. No remuneration of any form will be provided to the non-executive Directors.

The Company will regularly review its remuneration based on the Company's development and operations and recommend remuneration adjustments where appropriate, and seek the Board's endorsement for and Shareholders' approval of any recommended changes.

In accordance with paragraph B.1.5 of the Code provision of the Corporate Governance Code, the remunerations of the Directors, Supervisors and senior management by remuneration band for the year ended 31 December 2022 are set out below:

No. (Notes)	Remuneration band (RMB)	Number of persons
1	0 – 500,000	19
2	500,001 – 1,000,000	9
3	1,000,001 – 1,500,000	2

Corporate Governance Report

Notes:

No.1 includes 12 Directors and 7 Supervisors;

No.2 includes 1 Director, 1 Supervisor and 7 members of the senior management; and

No.3 includes 2 Directors.

Further details of the remunerations of the Directors and the five highest-paid employees as required to be disclosed under Appendix 16 to the Listing Rules are set out in Notes 8 and 9 to the financial statements for the Year.

Nomination Committee

The responsibilities and authorisations of the Nomination Committee include: (i) reviewing the criteria and procedures for selection of Directors and senior management, and their structure, size and composition (including the skills, knowledge and experience) annually, and making recommendations on any proposed changes to Directors and senior management to complement the Company's strategy; (ii) identifying individuals suitably qualified to become Board and senior management members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iii) making recommendations to the Board on the appointment, re-appointment and succession planning for Directors and senior management; (iv) assessing the independence of independent non-executive Directors; and (v) performing other duties delegated by the Board. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Directors, namely Mr. Wang Zhenjiang, being the chairman of the Board, and Mr. Cheng Xuezhao, Mr. Li Hua and Mr. Wang Lingfang, being independent non-executive Directors. Independent non-executive Directors represent a majority of the committee. Mr. Wang Zhenjiang, the chairman of the Board, acts as the chairman of the committee.

During the Year, the Nomination Committee mainly performed the following tasks: assessed the suitability of the candidates nominated for the appointment as Directors, Supervisors or senior management of the Company and made recommendations to the Board on the appointment of the above personnel, and reviewed the composition of the Board in accordance with the requirements of the Board Diversity Policy of the Company.

During the Year, the Nomination Committee held 3 meetings to discuss the nomination policy, the independence of independent non-executive Directors, and the eligibility of candidates for the appointment as senior management of the Company.

Nomination of Directors

In accordance with the Articles of Association, candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by Shareholder(s) individually or in aggregate holding more than 3% of the Shares of the Company. The Nomination Committee shall verify the qualifications and conditions of the candidates of Directors, submit it to the Board for consideration on the appointment of the candidate upon determination, and a written resolution shall be proposed at a general meeting for approval by resolutions passed by the Board.

Corporate Governance Report

Strategy Committee

The major responsibilities and authorisations of the Strategy Committee include: (i) studying and making recommendations on the long-term development strategy of the Company; (ii) studying and making recommendations on major investment and financing plans that are subject to approval of the Board as required by the Articles of Association; (iii) studying and making recommendations on major capital operation and asset operation that are subject to approval of the Board as required by the Articles of Association; (iv) studying and making recommendations on other significant matters affecting the development of the Company; (v) inspecting the implementation of the above matters; and (vi) performing other duties delegated by the Board. The terms of reference of the Strategy Committee are available on the websites of the Company and the Stock Exchange.

The Strategy Committee comprises five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director, namely Mr. Wang Zhenjiang, being the chairman of the Board, Mr. Peng Hui, being the general manager, Mr. Liu Qiang, Mr. Wang Shaochen and Mr. Li Hua. Mr. Wang Zhenjiang, the chairman of the Board, acts as the chairman of the committee.

During the Year, the Strategy Committee held 1 meeting to discuss the investment plan of the Company for 2022.

Diversity of the Board

In accordance with the Listing Rules, the Board has developed and adopted the Board Diversity Policy. It emphasizes that in determining the Board's composition, Board diversity has been considered from a number of aspects. All the appointments to the Board will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, taking into account various factors including gender, age, culture and educational background, professional experience, skills, knowledge and length of service. The Company shall consider its own business model and specific needs from time to time and make final decisions based on merits and contributions that the candidates will bring to the Board.

With reference to the policy above, the Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules in terms of the following factors:

- **Age:** At present, the members of the Board cover the age group from more than 30 to more than 60. The diversity of age groups helps the members of the Board to bring a variety of thinking;
- **Educational backgrounds and professional knowledge:** The members of the Board come from different educational backgrounds, including business administration, law, marine engineering management, traffic and transportation management, chemical engineering related to polymer materials and thermodynamics equipment of power plant. A number of Directors have obtained master's and doctoral degrees and other professional accreditation qualifications, including certified public accountant in China, senior political analyst, professorate senior engineer and senior economist. It also reflects that the Group's expressway operation management and related supporting material supply businesses involve different professional fields. The educational background of the members of the Board helps to guarantee the professionalism of the Group's business; and

Corporate Governance Report

- **Industry experience:** The members of the Board have relatively sufficient industry experience in their respective fields, including participating in different domestic and cross-border businesses in the operation management, investment management and other enterprises of infrastructure projects such as expressway, energy and port transportation, which brings foresight to the Company's business development and international vision.

To sum up, the Directors are of the opinion that the composition of the Board is in compliance with the board diversity requirements of the Board Diversity Policy and the Listing Rules in terms of gender, age, educational background, industry experience, region and duration of service, and reflects an appropriate mix of skills, experience and diversity that are relevant to the Group's strategy, governance and business and contribute to the Board's effectiveness and efficiency. Information about the Board's current composition (including the skills and experience of Directors) is set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

During the Reporting Period, the Board of the Company has one female member. Currently, the Company has been actively preparing the renewal of the Board, and the Company will actively introduce more female members to the composition of the next term of the Board.

In terms of the employees of the Group, the Company adheres to the people-oriented management concept, respects and protects the rights and interests of employees, standardizes the career development path, accelerates the construction of talent team, and helps employees grow. During the Reporting Period, the Company followed the principle of "openness, fairness, competition and merit-based selection" to recruit and train employees. As of the end of the Reporting Period, the Group had 693 employees, including 263 female employees, accounting for about 37% of all employees. A total of 580 employees (accounting for about 84% of all employees) belong to the age group of 30 to 50, and those under 30 and over 50 respectively account for the remaining half. During the Reporting Period, there were 28 new employees, of which half were male and half were female, and 26 were in the age group under 36. This just reflects the Group's adherence to the principle of equality between men and women in social recruitment, and it will actively cultivate suitable talents from young employees, provide promotion opportunities, and strive to continuously improve the diversity of the Group's staff, senior management and Directors in terms of personal ability, professional background and gender. In conclusion, the Company believes it has achieved diversity in the fields of gender and age among its employees.

Corporate Governance Report

DIRECTORS

Appointment and Re-election of Directors

Directors (including non-executive Directors and independent non-executive Directors) shall be elected at a general meeting with a term of office of three years from the date of passing the resolution at the general meeting until the expiration of term of office of the Board. Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than nine years.

Chairman of the Board and vice chairman of the Board shall be elected and removed by more than one half of the members of the Board, with a term of office of three years, and may be re-elected upon the expiration of term.

Each of the current Directors has entered into a service contract with the Company for a term of three years, commencing from the date of approval by Shareholders for the appointment, and subject to termination in accordance with the terms of the respective contracts. Reference is made to the announcement dated 15 November 2022 of the Company, in relation to, among other things, the postponement of re-election of the Board. As stated in the announcement, the terms of the second session of the Board of the Company expired on 18 November 2022. As of the date of this report, the service contracts of Mr. Peng Hui, Mr. Liu Qiang, Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Su Xiaodong, Mr. Zhou Cenyu, Ms. Kong Xia, Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping have expired on 18 November 2022. The terms of office of the Directors of the second session of the Board will be extended to the date on which the new sessions are elected at the general meeting of the Company and officially perform their duties. Prior to the completion of the re-election, all members of the second session of the Board of the Company will continue to perform their duties and obligations as Directors, in compliance with the relevant laws and regulations and the Articles of Association, and the Company will complete the renewal of the Board and sign the service contracts with the new Board members as soon as possible.

None of the Directors has entered or proposed to enter into a service contract with any member of the Group, excluding those contracts expiring within one year or determinable by the relevant employers within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-executive Directors

The Company currently has five independent non-executive Directors, and none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirements of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business or financial interest in the Company or its subsidiaries, nor do they hold any management position in the Company.

Each of the five independent non-executive Directors has given the Company a written confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and to the best knowledge of the Board, all current independent non-executive Directors are independent and are in compliance with the requirement of Rule 3.13 of the Listing Rules.

Corporate Governance Report

Independent Input Mechanisms

- | | |
|--|---|
| Board and committees' structure | <ul style="list-style-type: none"> As of the end of the Reporting Period, the Board of Directors of the Company composed of 15 members includes 5 independent non-executive Directors. It complies with the requirements of the Listing Rules that independent non-executive directors should account for one-third of the number of directors and not less than three. |
| Independent non-executive Directors' tenure | <ul style="list-style-type: none"> In accordance with the requirements of the Articles of Association, the term of office for independent non-executive Directors shall be three years, and eligible to offer himself for re-election, but shall not exceed nine years. |
| Independent non-executive Directors' remuneration | <ul style="list-style-type: none"> Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate. The Company has not established an incentive scheme related to its Shares. |
| Appointment of independent non-executive Directors | <ul style="list-style-type: none"> Independent search firm(s) can be engaged by the Nomination Committee to help identify potential candidates for appointment of independent non-executive Directors. In assessing suitability of the candidates, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skills and experience, the list of selection criteria approved by the Board and the Board Diversity Policy. |
| Annual review of independent non-executive Directors' commitment and independence | <ul style="list-style-type: none"> The Nomination Committee reviews annually each Director's time commitment to HKEX's business. Directors' attendance records during the Reporting Period are disclosed in the section head "Meetings of the Board" contained in the Corporate Governance Report. Independent non-executive Directors' independence is assessed upon appointment, annually, and as the circumstances require. |
| Management of the conflict of interests | <ul style="list-style-type: none"> The internal system of the Company contains provisions for the avoidance of conflicts of interest and provides guidance on the actions to be taken by Directors in relation to conflicts of interest. |
| Professional advice | <ul style="list-style-type: none"> Directors may consult the Joint Company Secretaries of the Company or the Securities Investment Department on matters relating to the performance of their duties, as well as external professional advisers and legal advisers at the Company's expense. |
| Evaluation of the performance of the Board | <ul style="list-style-type: none"> The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance. |

Corporate Governance Report

Compliance with the Model Code

For the Year, the Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all the Directors and Supervisors, it was confirmed that the Directors and Supervisors of the Company have complied with the Model Code in relation to securities transactions by the directors and its own standards of code of conduct and there has not been any non-compliance with the relevant requirements of the Model Code.

Directors' Responsibilities for Preparation of Financial Statements

The Directors acknowledge their responsibilities for preparing financial statements of the Group in accordance with the relevant statutory requirements and generally accepted accounting principles in Hong Kong and ensuring that the financial statements give a true and fair view of the Group's financial position.

According to Code Provision C.1.1 of the Corporate Governance Code, management shall provide sufficient explanation and information to the Board so that the Board can make an informed assessment of financial and other information before such information is submitted to the Board for approval. The Company shall also provide all members of the Board with monthly updates on the performance, position and prospects of the Group.

SHAREHOLDERS AND GENERAL MEETINGS

Particulars of Controlling Shareholders and Ultimate Controlling Shareholder

During the Reporting Period, the controlling shareholders of the Company were Shandong Hi-Speed Group, Shandong Hi-Speed, COSCO SHIPPING, China Shipping and COSCO SHIPPING (Hong Kong).

The Company operates its business independently from its controlling shareholders and has separate personnel, organisation, assets and business. The behaviours of the controlling shareholders are regulated, and they have not directly or indirectly intervened the operation and decision-making of the Company without the approval at general meetings of Shareholders.

Particulars of the shareholding of substantial shareholders during the Year and Non-competition Agreement and commitments of controlling shareholders are set out in the section headed "Report of the Board of Directors" in this report.

Corporate Governance Report

General Meetings

The Company is committed to ensuring that all Shareholders, in particular the minority Shareholders, are treated equally and are able to fully exercise their rights. A general meeting is the highest authority of the Company and exercises its power in accordance with the laws.

To safeguard the interests and rights of Shareholders, all major matters shall be proposed as separate resolutions at a general meeting for consideration in accordance with the requirements of the applicable laws and regulations and the Listing Rules. The rights of Shareholders and the procedures for voting at general meetings shall be contained in the relevant circular in accordance with the Articles of Association and the Listing Rules, which shall be despatched to Shareholders within a specified period of time and shall be published on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Company convened 1 annual general meeting and 3 extraordinary general meetings. For details of the proposals and resolutions considered at these meetings, please refer to the relevant announcements published on the websites of the Stock Exchange and the Company.

CONTROL SYSTEM

Supervisory Committee

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to general meetings. The Supervisory Committee exercises its supervisory power independently in accordance with the laws to protect the legitimate interests of Shareholders and the Company.

The functions and duties of the Supervisory Committee include (but are not limited to): (i) reviewing the financial statements, business reports and profit distribution plans prepared by the Board, and engaging certified accountants and certified auditors to re-examine the Company's financial information if in doubt; (ii) supervising the financial activities of the Company; (iii) demanding the rectification of acts of Directors, general manager and senior management which are against the interests of the Company; and (iv) exercising other powers, authorities and duties delegated by the Articles of Association.

As at 31 December 2022, the Supervisory Committee comprises eight members, including three employee representative Supervisors (namely Mr. Wang Shun, Mr. Hao Dehong and Ms. Hou Qinghong), three shareholder representative Supervisors (namely Ms. Meng Xin, the chairman of the Supervisory Committee, Mr. Zhang Yin and Mr. Wu Yongfu) and two independent Supervisors (namely Mr. Li Ruzhi and Mr. Meng Qinghui).

Supervisors who are representatives of the Shareholders shall be elected and removed at a general meeting. Employee representative Supervisors shall be elected and removed at an employee representative meeting, employee general meeting or through other democratic procedures. Each Supervisor shall have a term of office of three years, commencing from the date of passing the relevant resolution at the general meeting or employee representative meeting until the expiration of the term of the Supervisory Committee, and is eligible for re-election upon the expiration of term of office.

Particulars of the Supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

Corporate Governance Report

During the Year, the Supervisory Committee convened 2 regular meetings, to review the production and operation of the Company, procedures for decision-making, compliance of operations, financial position and regulated management of internal control, to supervise the performance of duties by the Directors and senior management of the Company, and to discuss and review the financial report, business report and profit distribution plan to be submitted by the Board for approval at the general meeting.

Reference is made to the announcement dated 15 November 2022 of the Company, in relation to, among other things, the postponement of re-election of the Supervisory Committee. As stated in the announcement, the terms of the second session of the Supervisory Committee of the Company expired on 18 November 2022. As of the date of this report, the service contracts of Ms. Meng Xin, Mr. Zhang Yin, Mr. Wu Yongfu, Mr. Wang Shun, Mr. Hao Dehong, Ms. Hou Qinghong, Mr. Li Ruzhi and Mr. Meng Qinghui have expired on 18 November 2022. The terms of office of the Supervisors of the second session of the Supervisory Committee will be extended to the date on which the new sessions are elected at the general meeting of the Company and officially perform their duties. Prior to the completion of the re-election, all members of the second session of the Supervisory Committee of the Company will continue to perform their duties and obligations as Supervisors, in compliance with the relevant laws and regulations and the Articles of Association.

Internal Control and Risk Management

The Board shall perform operational decision-making and is committed to establishing and improving the measures and plans for internal control and risk management. It shall also supervise the implementation of the risk management and internal control system, so as to safeguard the investment of Shareholders and the assets of the Group.

The Board recognises it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibility (together with the relevant authority) for risk management and internal control to the Audit Committee. The Audit Committee is responsible for supervising the design, implementation and monitoring of the management in respect of risk management and internal control systems. The management has confirmed to the Audit Committee (and the Board) the effectiveness of such systems for the year ended 31 December 2022.

Key Features of Risk Management and Internal Control Systems

The Board shall be responsible for the risk management and internal control systems of the Company, and shall review the effectiveness of such systems. The Supervisory Committee shall supervise the establishment and implementation of internal control system by the Board. The management is responsible for organising and leading the daily operation of internal control system.

Corporate Governance Report

Scope of responsibilities:

Board

1. Be responsible for the risk management and internal control systems and continuously review their effectiveness, to ensure that the Company can establish and maintain effective risk management and internal control systems;
2. Review the risk management and internal control systems of the Company at least once every year, and ensure that at each review, the Company has sufficient resources, staff qualifications and experience, staff training programmes and relevant budgets in terms of accounting, internal audit and financial reporting functions. In case of additional matters that need to be reported, the chairman of the Board shall determine whether to report such matters to the Board;
3. Supervise the design, implementation and monitoring of the management in respect of the risk management and internal control systems.

Audit Committee

1. Review and assess the completeness and effectiveness of the financial control, internal control and risk management systems, mechanisms and regimes;
2. Evaluate the risk management and internal control assessment and audit results, and supervise the improvement regarding risk management and internal control defects;
3. Discuss with management about the internal control system to ensure that the management has set up an effective internal control system. The discussion shall cover the sufficiency of resources and staff qualifications and experience of accounting and financial reporting functions, and the adequacy of staff trainings and relevant budgets;
4. Study, either initiatively or as assigned by the Board, the important review results related to risk management and internal control matters and the management's feedback about such review results.

Management

1. Be responsible for the risk management and internal control, and manage the affairs in connection therewith;
2. Report the information about risk management and internal control to the Board and the Audit Committee.

Management of the Company reports the risk management and internal control of the Company to the Audit Committee and the Board at the annual meeting held each year, so that the Board is able to make judgement about the effectiveness of the internal control and risk management of the Company.

The Company applies relevant policies and procedures to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects, which include the requirement that management of the Company shall conduct regular evaluation and acquire latest information in this regard. In the meantime, the Company has developed a set of clean system to offer guarantee for anti-corruption, reporting and supervision.

Corporate Governance Report

Specific procedures for identification, assessment and management of material risks

1. Risk identification

Determine risk measurement criteria and identify risks which may have potential impact on the Company.

2. Risk assessment

Assess risks identified and classify them by risk level.

3. Risk response

Select a response strategy according to the risk level, and the risk management department tracks the effectiveness of such response strategy. At the same time, formulate relevant countermeasures to avoid recurrence of and to mitigate the risks.

4. Risk monitoring

Monitor the risks continuously and regularly, and adjust the procedures for risk management and internal control when appropriate to ensure that the control procedures are appropriate and effective. Report the results of risk monitoring to the management and the Board regularly.

In a bid to become resilient to changes of external environment and maintain its profitability, the Company optimises its business flow and transforms its business and management modes through management innovation and business reform. It also exerts great efforts to mid- and long-term planning, cost reduction, organisation and procedure optimisation, capability improvement and other aspects to ensure that the strategy and annual plan are realised.

Internal Audit Function

The internal audit function of the Company is performed by the Audit and Legal Department, which directly reports to the Audit Committee.

Handling and Dissemination of Inside Information

In respect of the procedures for and internal control of handling and dissemination of inside information, the Company:

1. acknowledges its responsibilities under the SFO and the Listing Rules, the most important principle of which provides that where relevant information is determined as inside information, an announcement shall be published as soon as reasonably and practicably feasible; and
2. pays close attention to the applicable laws and regulations when handling with such information.

A self-evaluation report has been prepared by the Board in respect of the risk management and internal control matters of the Company during the Year. The Board has reviewed the control systems of the Company and is of the view that during the Year, such systems were effective and adequate and management of the Company should further perfect its risk management and internal control systems to promote a higher standard of corporate governance.

Corporate Governance Report

AUDITORS AND THEIR REMUNERATIONS

The remunerations paid or payable to the Company's auditors during the Year are set out as follows:

Service provided	Fee paid or payable <i>RMB' 000</i>
Audit fee	910
Non-audit fee	
– Interim review	650

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo and Ms. So Shuk Yi Betty have served as the joint company secretaries of the Company since 7 June 2018.

Particulars of Mr. Lian and Ms. So are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

Ms. So serves as the president of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for making recommendations to the Board on corporate governance matters to ensure the compliance with the policies and procedures set by the Board, the applicable laws, rules and regulations. Mr. Lian is the main contact person of Ms. So in the Company.

Both Mr. Lian and Ms. So have confirmed that they have received not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONSHIP

Procedures for Convening Extraordinary General Meeting

Shareholder(s) individually or collectively holding more than 10% of the Company's Shares may request the Board to convene an extraordinary general meeting or a class meeting of Shareholders, which shall be made to the Board in writing. The Board shall, according to the laws, administrative regulations and provisions of the Articles of Association, give written feedback on whether it agrees or disagrees to convene an extraordinary general meeting or class meeting of Shareholders within ten (10) days after receiving the request.

Corporate Governance Report

Procedures for Making Enquiry to the Board

The shareholder communication policy of the Company aims to maintain transparency and provide information about major developments of the Group to shareholders and investors in a timely fashion. General meetings are the formal channel of communication of the Company with shareholders and the Board. Chairman of the Board and chairmen of board committees (or another member of the respective committee if he fails to attend the meeting) will attend general meetings to have direct communication with Shareholders.

Shareholders may make their enquiries and questions to the Board by sending to the Securities Investment Department of the Company at the following address:

Address: Room 2212, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road,
Hi-tech Zone, Jinan City, Shandong Province, the PRC
Telephone: +86 (531) 8720 7088

Procedures for Making Proposals at General Meetings

Shareholder(s) individually or in aggregate holding more than 3% of the Company's Shares may make additional proposals to the Board in writing. Upon receipt of the additional proposals, the Board shall inform other Shareholders in two days. The Company shall include the matters set out in the proposals which fall within the scope of the general meeting into the agenda of the meeting.

Amendments to the Constitutional Documents

During the Year, the Company made amendments to the Articles of Association. For further information on amendments to the Articles of Association, please refer to the announcement dated 20 May 2022, the circular dated 2 June 2022 and the announcement dated 28 June 2022 of the Company.

Communication with Investors and Investor Relationship

The Company's management highly values the investor relation management, and has established Measures for Information Disclosure, Investor Relation Management Policy and other regulatory systems to standardise and optimise the investor relation management of the Company.

By implementing the Investor Relation Management Policy, the Company enhances investors' and Shareholders' understanding and recognition of the Company through reasonable information disclosure and exchange. At the same time, transparent information disclosure helps to improve the level of corporate governance, so as to maximize the overall interests of the Company and protect the legitimate rights and interests of investors and Shareholders.

Corporate Governance Report

The Investor Relation Management Policy are summarized as follows:

Purpose of investor relationship management

- Promote the benign relationship between the Company and investors, and enhance investors' further understanding and familiarity with the Company;
- Establish a stable and high-quality investor base and obtain long-term market support;
- Form a corporate culture that serves and respects investors; and
- Promote the benign relationship between the Company and investors, increase the transparency of the Company's information disclosure and improve corporate governance.

Basic principles of investor relationship management

- The Company adheres to the following principles in the work of investor relationship management, including:
 - (i) **The principle of full and compliant disclosure of information:** actively disclose other relevant information that investors care about, and ensure that the information disclosure is true, accurate, complete and timely;
 - (ii) **The principle of equal opportunity for investors:** the Company shall treat all Shareholders and potential investors fairly and avoid selective information disclosure;
 - (iii) **The principle of honesty and trustworthiness:** the investor relationship work should be objective, true and accurate to avoid excessive publicity and misleading;
 - (iv) **The principle of high efficiency and low consumption:** when selecting the working mode of investor relations, the Company should fully consider improving communication efficiency and reducing communication costs; and
 - (v) **The principle of interactive communication:** the Company should actively listen to the opinions and suggestions of investors, realize two-way communication between the Company and investors, and form a positive interaction.

Corporate Governance Report

Target of investor relationship management	<ul style="list-style-type: none"> • Investors, including existing shareholders and potential investors; • Media such as securities analysts, financial media and industry media; and • Securities regulatory authorities and other relevant government agencies.
Communication mode	<ul style="list-style-type: none"> • The Company discloses information to Shareholders and investors through announcements, Shareholders' meetings, company websites, mailing materials, telephone consultation, media interviews and reports, analyst meetings and performance briefings, one-to-one communication, on-site visits, roadshows and questionnaires and other channels. • The Company attaches great importance to the construction of the network communication platform, opens a column on investor relations on the Company's website, and sets up an e-mail address to accept inquiries and suggestions from investors and responds in a timely manner. • The Company timely enriched and updated the content of the Company's website, and can place information that investors care about on the Company's website, such as news release, company profile, expressway operation and related supporting services, legal information disclosure materials, contact methods of investor relations, special articles and executive speeches. • The Company allows the public to participate in the Company's investor relations exchange activities online and offline through modern communication tools such as the network, in combination with on-site visits and other models. During the implementation of the financing plan, the roadshow shall be held in accordance with the relevant regulations, and the time and place of the AGM and the EGM shall be fully considered to facilitate the participation of Shareholders, allowing the Company to receive the opinions of Shareholders and other stakeholders in a timely manner.

During the Reporting Period, while earnestly performing statutory information disclosure obligations, the Company launched investor relation activities in various forms to provide investors with information which they were interested in, to promote the transparency of corporate operation and to build mutual understanding and trust. Meanwhile, the Company absorbed the advice from investors in the course of information delivery and collected feedback from investors to boost benign interactions between the Company and investors.

In conducting investor relation activities, the Securities Investment Department of the Company is dedicated to investor relation management. The channels adopted by it mainly includes: answering phone call and e-mail enquiries through investor hotline and e-mail; hosting site visits for investors and securities analysis agencies; participating in investor promotion activities; organising roadshows; providing particulars about the Company, information disclosure and corporate governance through company website.

Corporate Governance Report

The Company regularly receives inquiries from relevant investment organisations and industry stakeholders, in relation to the Group's business development, industry prospects and financing proposals. On the premise of complying with applicable laws and regulations, the Company will strengthen its contact with all parties in accordance with the above Investor Relation Management Policy. In order to enhance the transparency of the Company's information disclosure, the Company will, as always, continue to provide relevant information on a regular basis and as necessary under the premise of compliance. In view of the above, having considered the various existing communication channels and feedback from Shareholders and investors, the Company believes that its communication policy with investors has been effectively implemented during the Reporting Period.

The Board is grateful to Shareholders and other stakeholders for their continued support and welcomes their views as well as any questions they may have about the management and governance of the Company.

Profiles of Directors, Supervisors and Senior Management

As at the date of this report, brief biographies of the Directors, Supervisors and senior management of the Company are as follows:

DIRECTORS

(1) Executive Directors

Mr. Wang Zhenjiang (王振江), aged 46, is currently the chairman of the Board, an executive Director, legal representative and the secretary of the party committee of the Company.

Mr. Wang has extensive work experience in accounting, banking and investment and has successively served in a number of managerial positions in Weihai City Commercial Bank (a company listed on the Stock Exchange, stock code: 09677) and he served as an executive director and the vice president of China Shandong Hi-Speed Financial Group Limited (a company listed on the Stock Exchange, stock code: 00412). From June 2015 to October 2016 and from March 2018 to November 2019, he served as the deputy director of the investment development division (department of property rights management) and the administrative director of Shandong Hi-Speed Group Company Limited, and a director, the general manager, chairman of the board of directors, legal representative and the secretary of the party committee of Shandong Hi-Speed Road and Bridge Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000498.SZ) from April 2019 to June 2021. He serves as the secretary of the party committee of the Company since June 2021. And he serves as the chairman of the Board and an executive Director of the Company since August 2021.

Mr. Wang holds a master's degree in business administration from Shandong University of Finance and Economics (formerly known as the Shandong University of Finance) and is a certified public accountant in China.

Mr. Peng Hui (彭暉), aged 58, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company.

Mr. Peng has over 30 years of experience in the transportation industry. He acted as the head of paratransit of Tianjin Ocean Shipping Company (天津遠洋運輸公司) from September 1984 to September 1998, manager of COSCO Bulk International Ocean Manning Company (中遠散運國際海員外派公司) from October 1998 to July 2008, assistant to general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) ("**COSCO SHIPPING Industry & Trade**") from July 2008 to June 2011, and the deputy general manager of COSCO SHIPPING Industry & Trade from July 2011 to May 2014. Mr. Peng joined the Company as a Director in October 2011. He has served as an executive Director, the general manager and deputy secretary of the party committee of the Company since May 2014.

Mr. Peng graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院) in Qingdao of the PRC in July 1990, with a diploma majoring in marine engineering management. In December 2004, he graduated from the Party School of Tianjin Municipal Committee of the Communist Party of China (中共天津市委黨校) in Tianjin of the PRC, with a part-time undergraduate degree in Law.

Profiles of Directors, Supervisors and Senior Management

Mr. Liu Qiang (劉強), aged 54, is currently an executive Director, deputy secretary of the party committee and the chairman of labour union of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of the Company.

Mr. Liu has nearly 30 years of experience in the construction industry. Mr. Liu served as an officer of the Pingyin Construction Committee from February 1992 to April 1994. He served as the deputy director of demolition and relocation office under Pingyin Urban Construction and Management Bureau (平陰縣城市建設管理事業局) from April 1994 to April 1996; the branch committee secretary of the Pingyin gardening management unit of the CPC from April 1996 to April 1999; and the deputy head of Pingyin Urban Construction Bureau from April 1999 to August 2005. He has served as the deputy head (person in charge) of Pingyin Highway Administration Bureau and the deputy secretary of the party panel of Pingyin Highway Administration Bureau since August 2005; and the deputy secretary of the committee of Pingyin Transportation Bureau of the CPC since June 2007.

Mr. Liu joined the Company in September 2007 and worked as the head of Pingyin Management Centre of the Company until February 2008. He was a member of the party committee of the Company from February 2008 to March 2008, the chief economist and a member of the party committee of the Company from March 2008 to May 2008, the chief economist, a member of the party committee and the chairman of labour union of the Company from May 2008 to December 2014. He was the chief economist, a member of the party committee, the chairman of labour union and secretary of disciplinary committee of the Company from December 2014 to June 2019. Mr. Liu also served as a director of Shandong Jihe Expressway Petroleum Management Company Limited (山東濟菏高速石化油氣管理有限公司) from December 2011 to August 2017. He has been the deputy general manager and a member of the party committee of the Company since June 2019. Mr. Liu has served as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, since August 2019. He has served as an executive Director, the deputy general manager and a member of the party committee of the Company since November 2019, and resigned as the deputy general manager of the Company in July 2022 due to work adjustment. Since June 2022, Mr. Liu has served as an executive Director, deputy secretary of the party committee and the chairman of labour union of the Company. He has served as the chairman of the board of directors of Shandong Gangtong Construction Co., Ltd., a wholly-owned subsidiary of the Company, from 19 March 2020 to December 2021, and concurrently served as the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of Qilu Expressway Company Limited since August 2021.

In February 2006, Mr. Liu was named as an Advanced Production Worker of Jinan Highway System for 2005 (濟南公路系統2005年度先進生產(工作)者) by Jinan Highway Administration Bureau and the party committee. In June 2011, he was named as an Advanced Individual for Shandong Transportation Energy Saving and Emission Reduction Work under the Eleventh Five-Year Plan (“十一五”全省交通運輸節能減排工作先進個人) by the Shandong Transport Department. In April 2015, he was named as the Outstanding Organisation Individual of Shandong Health Cup Campaign (“安康盃”競賽優秀組織個人) by the Shandong Workers’ General Union (山東省總工會) and Shandong Safety Production Supervision and Administration Bureau (山東省安全生產監督管理局).

Profiles of Directors, Supervisors and Senior Management

In July 1988, Mr. Liu graduated from Shandong Jinan Urban Construction School (山東省濟南城市建設學校) (currently known as the Shandong Urban Construction Vocational College) in Jinan of the PRC, with technical school academic qualification majoring in surveying and mapping. In June 1993, he graduated from the Correspondence Institute of the Party School of the China Communist Party (中央黨校函授學院) in Beijing of the PRC, with a diploma majoring in economic management. In December 2002, he graduated from The Shandong Province Party Committee School of Shandong Committee of the Communist Party of China (中國共產黨山東省委員會黨校) in Jinan of the PRC, with part-time undergraduate degree (transferred from an associate program) in Construction and Operation. In May 2004, he completed a postgraduate course in administrative management in Beijing Normal University in Beijing of the PRC. In September 2007, Mr. Liu was qualified as a senior political analyst by the Corporate Ideological and Political Work Qualification Assessment Office of Shandong (山東省企業思想政治工作人員專業職務評定工作辦公室).

(2) Non-Executive Directors

Mr. Chen Dalong (陳大龍), aged 61, is currently the vice chairman of the Board and a non-executive Director of the Company.

Mr. Chen successively served as a shipping trainee, the deputy division secretary of the office of the general manager and the chief assistant of the office of the general manager for Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) from August 1985 to September 1996. He was a trainee of the operation and management cadre training course of China Ocean Shipping (中遠集團) from September 1996 to September 1997. He served as the deputy general manager of Donghong Hotel (東虹大酒店) from September 1997 to March 1999. He successively served as the deputy general manager and general manager of Shanghai Yuanyang Shipping Supply Company (上海遠洋船舶供應公司) from March 1999 to October 2002; the deputy general manager of Shanghai Yuanyang Lushang Production Corporation (上海遠洋陸上產業總公司) from October 2002 to August 2004; an assistant to general manager of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) and the general manager of Ocean Hotel (遠洋賓館) from September 2004 to May 2006; the deputy general manager of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司), general manager of Shanghai Yuanyang Holding Corporation (上海遠洋實業總公司) and general manager of Ocean Hotel from May 2006 to January 2012; and the deputy general manager and secretary of the party committee of COSCO South-China International Freight Co., Ltd. (華南中遠國際貨運有限公司) from January 2012 to May 2016. He has been the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司) from November 2016 to August 2022; and the vice chairman of the board of directors of Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000096.SZ) from December 2016 to August 2022. He has been the vice chairman of the Board and a non-executive Director of the Company since December 2017.

Mr. Chen graduated from Shanghai Maritime College (上海海運學院) (currently known as Shanghai Maritime University (上海海事大學), located in Shanghai of the PRC) in July 1985, with a bachelor's degree of engineering majoring in marine engineering management. Mr. Chen received the qualification as an engineer from the intermediate professional engineering service assessment committee of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) in August 1996.

Profiles of Directors, Supervisors and Senior Management

Mr. Wang Shaochen (王少臣), aged 57, is currently a non-executive Director of the Company. Mr. Wang concurrently serves as a director of the human resources sharing services centre (Jinan branch) of China Energy Guoyuan Power Co., Ltd. (國家能源集團國源電力有限公司).

Mr. Wang worked for Huangtai Thermal Power Station (黃台火力發電廠) in Shandong and successively held various positions, including duty officer, deputy chief officer, branch secretary of grey water field team (灰水分場團), member of the welfare division of the labour union, deputy party branch secretary of the operation department, from July 1984 to December 1997. Mr. Wang served in the office of Luneng Fuels Group Co., Ltd. (魯能燃料集團有限公司) from December 1997 to August 1999. He worked for the planning and logistic department of Luneng Fanmao Co., Ltd. (魯能帆茂有限公司) from August 1999 to September 2000, and served as the deputy manager of the Huangtai branch of Luneng Fuels Group Co., Ltd. (魯能燃料集團有限公司) from September 2000 to March 2002. He served in the general department of Shandong Luneng Development Group Co., Ltd. (山東魯能發展集團有限公司) from March 2002 to July 2008, and acted as the deputy manager of the general department of Shandong Luneng Development Group Co., Ltd. from July 2008 to March 2009. He was the manager of the general department of Shandong Luneng Electricity Inspection, Maintenance and Operation Co., Ltd. (山東魯能發電檢修運營有限公司) from March 2009 to June 2011, and the head of the affairs department of Guowang Energy Development Co., Ltd. (國網能源開發有限公司) from June 2011 to February 2013. Mr. Wang served as the chairman of the labour union of the management and a member of the party committee of Guoneng Power Technology & Engineering Co., Ltd. (國能電力技術工程有限公司) from February 2013 to April 2021, and has been a director of the human resources sharing services centre (Jinan branch) of China Energy Guoyuan Power Co., Ltd., since May 2015. Mr. Wang has served as a non-executive Director of the Company since November 2014.

Mr. Wang graduated from Shandong Radio and TV University in Jinan of the PRC in June 1995, majoring in professional of economic management, and obtained the graduation certificate from the Self-taught Higher Education and Examination Committee of Shandong Province (山東省高等教育自學考試委員會專科畢業證書). Mr. Wang received a certificate in recognition of the professional economic (industrial) qualification from Ministry of Personnel of the PRC in November 1999. He graduated from the legal studies programme jointly organised by the China Central Radio and TV University (currently known as the Open University of China) in Beijing of the PRC and China University of Political Science and Law in Beijing of the PRC in July 2004, and obtained a bachelor's degree from the China Central Radio and TV University (currently known as the Open University of China). He received a certificate of senior economist from the Hubei branch of Ministry of Personnel of the PRC in December 2006 and a certificate of professional secretary (level 3) from the Ministry of Human Resources and Social Security of the PRC in November 2010.

Profiles of Directors, Supervisors and Senior Management

Mr. Zhou Cenyu (周岑昱), aged 51, is currently a non-executive Director of the Company. He concurrently serves as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) and the director of Shandong Hi-speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司).

Mr. Zhou served as a cadre of Jiezhuang Town, Rencheng District, Jining City of Shandong Province from July 1993 to June 1997, and was a staff member, deputy section chief and section chief of Shandong Wenlian Personnel Office from June 1997 to November 2002. He served as a section level inspector (正科級檢查員) of Shandong Province Enterprises Disciplinary Committee (山東省管企業紀工委) from November 2002 to June 2004 and a staff member and director of the first bureau of discipline committee of Shandong State-owned Assets Supervision and Administration Commission from June 2004 to November 2008. He served as the deputy director of the leadership management division, deputy head and researcher of the organisation department of the party committee of Shandong SASAC from November 2008 to May 2015. He served as the director-level supervisor of the third office of Shandong Province Enterprises Supervisory Board (山東省管企業監事會第三辦事處) from May 2015 to October 2015. He served as the temporary person-in-charge of the work department and the deputy secretary of the headquarters of the party committee of Qilu Transportation from October 2015 to April 2018. He was also a member of the party committee of Qilu Transportation from January 2018 to August 2020 as well as the director of the office of the board of directors of Qilu Transportation from April 2018 to August 2020. Mr. Zhou has served as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)) since August 2020. He served as the secretary of the party branch and chairman of the board of directors (a legal representative) of Shandong Expressway Minsheng Group Co., Ltd. from November 2021 to November 2022, and he was appointed as the director of Shandong Hi-speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司) since July 2022. Mr. Zhou has served as a non-executive Director of the Company since November 2019.

Mr. Zhou holds a bachelor's degree in engineering from the department of chemical engineering of Yantai University, majoring in chemical engineering, and a master's degree in business administration from School of Management, Shandong University.

Profiles of Directors, Supervisors and Senior Management

Mr. Su Xiaodong (蘇曉東), aged 58, is currently a non-executive Director of the Company. He concurrently serves as the investment director and the general manager of the capital and investment department of COSCO SHIPPING (Hong Kong).

Mr. Su worked for the planning department of China Ocean Shipping Company Limited (中國遠洋運輸有限公司) from August 1988 to March 1993. He served as a manager of the consulting department of COSCO Investment Company (中遠投資公司) from March 1993 to September 1997. From September 1997 to March 2012, he worked for China Ocean Shipping Company Limited (中國遠洋運輸有限公司) and held various positions including deputy manager of the asset management centre, officer of the development department and vice head and deputy manager of the administrative office of the planning department. He also served as the deputy general manager of the strategic development department of China COSCO Holdings Company Limited from August 2005 to February 2009, and a manager of the asset operation office of the strategic development department of China Ocean Shipping Company Limited from February 2009 to March 2012. He served as the general manager of the planning department of COSCO SHIPPING (Hong Kong) Co., Limited (香港中遠海運有限公司) from March 2012 to January 2019 and has been the investment director and the general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) since January 2019. Mr. Su has served as a non-executive Director of the Company since September 2012. He has served as the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司) since December 2012.

Mr. Su is also a director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香港(北京)投資有限公司); (iii) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the controlling company of the above companies (i) to (xii)).

Mr. Su graduated from Northern Jiaotong University (currently known as Beijing Jiaotong University) in Beijing of the PRC in July 1988, with a bachelor's degree majoring in industrial management engineering. Mr. Su was accredited as a senior economist by the MOC in November 1999.

Profiles of Directors, Supervisors and Senior Management

Ms. Kong Xia (孔霞), aged 51, is currently a non-executive Director of the Company. She concurrently serves as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group.

Ms. Kong served as a cadre of Shandong Provincial Transport Projects Supervision and Consultation Ltd. from July 1993 to June 1997. From June 1997 to November 2000, she served successively as a civil servant and the deputy section chief of the planning and infrastructure department of Shandong Transport Department. She served successively as the deputy section chief, section chief and deputy director of the planning and infrastructure department of Shandong Transport Department from November 2000 to July 2010. She served successively as the deputy director and a researcher of the integrated planning department of Shandong Provincial Traffic Transport Department from July 2010 to October 2015. She served as the temporary person-in-charge of the maintenance technology department of Qilu Transportation from October 2015 to December 2015. She served successively as the presiding expert and department head of the corporate management department of Qilu Transportation from December 2015 to April 2018. She served as the department head of the human resources department of Qilu Transportation and a member of the party committee of the headquarters of Qilu Transportation from April 2018 to August 2020. From August 2020 to June 2021, she has served as the secretary of the party committee of the head office of Shandong Hi-Speed Group. She has served as the deputy head of the organisation department of the party committee (the party committee of the head office) of Shandong Hi-Speed Group since June 2021. Ms. Kong has served as a non-executive Director of the Company since November 2019.

Ms. Kong holds a bachelor's degree of engineering in highways and urban roads from the Southeast University, and a master's degree and postgraduate's degree in business administration from Shandong University.

Mr. Du Zhongming (杜中明), aged 39, is currently a non-executive Director of the Company. He is also a departmental general manager of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司).

From July 2011 to September 2015, Mr. Du successively worked as a vehicle researcher and a traffic and transportation researcher at the research and development department of CSC Financial Co., Ltd. (中信建投證券股份有限公司) (a company listed on the Stock Exchange, stock code: 6066). Since May 2015, he has successively served as an equity investment industry researcher and an investment manager, and the general manager at the equity investment department of CITIC-Prudential Asset Management Company Limited (中信保誠資產管理有限責任公司) (including its predecessor namely the asset management company under CITIC-Prudential Life Insurance Company Limited (中信保誠人壽保險有限公司資產管理公司)). He has served as a non-executive Director of the Company since March 2021.

Mr. Du holds a bachelor's degree of engineering from Beijing Jiaotong University majoring in traffic and transportation management, and a doctorate degree of economics from Peking University majoring in national economics.

Profiles of Directors, Supervisors and Senior Management

Mr. Shi Jinglei (施驚雷), aged 56, is currently a non-executive Director of the Company. He concurrently serves as a deputy manager of the board of directors' office of China Merchants Expressway Network & Technology Holdings Co., Ltd..

Mr. Shi has extensive experience in management and securities affairs. He successively served as a member of the securities department and securities affairs representative of Beijing Hua'er Company Limited (北京化二股份有限公司) during January 1998 to January 2008; a clerk of the secretary office of the board, deputy head, head and securities affairs representative of Huabei Expressway Company Limited from January 2008 to July 2018; and the vice general manager of the board office of China Merchants Expressway Network & Technology Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 001965.SZ) since July 2018. He has served as the non-executive Director of the Company since March 2022.

Mr. Shi holds a bachelor's degree of polymer materials from College of Biochemical Engineering of Beijing Union University.

(3) Independent Non-Executive Directors

Mr. Cheng Xuezhao (程學展), aged 55, is currently an independent non-executive Director of the Company. He concurrently serves as a deputy general manager of Hualu Holdings Co., Ltd. (華魯控股集團有限公司) and the vice chairman of the board of directors and general manager of China Shandong Group Limited (華魯集團有限公司), a director of Hualu International Financial Leasing Co., Ltd. (華魯國際融資租賃有限公司).

Mr. Cheng served successively as an officer, assistant manager and manager in the Shandong Provincial Finance Department (山東省財政廳) from July 1994 to April 1997. He worked as a manager of Hongkong Macao (International) Group Co., Ltd. (港澳國際(集團)有限公司) from April 1997 to April 1999. He served successively as a manager and deputy general manager of general office, deputy general manager and general manager of asset operation department of China Shandong Group Limited and a general manager of capital operation department of Hualu Holdings Co., Ltd. from April 1999 to October 2006. He participated in the preparation of the establishment of the Central Geological Exploration Fund Management Center (國土資源部中央地質勘查基金) under the Ministry of Land and Resources (MLR) of the PRC from October 2006 to January 2008. He served successively as the head of general office, member of the branch committee and officer of general office of the Central Geological Exploration Fund Management Center under the MLR from January 2008 to September 2011. He has worked as a deputy general manager of Hualu Holdings Co., Ltd. and concurrently the vice chairman of the board of directors and general manager of China Shandong Group Limited since January 2022. He has also worked as a director of Hualu International Financial Leasing Co., Ltd. since November 2013. Mr. Cheng has served as an independent non-executive director of Prosper Construction Holdings Limited (瑞港建設控股有限公司) (a company listed on the Stock Exchange, stock code: 06816) since December 2018. Mr. Cheng has served as an independent non-executive Director of the Company since July 2018.

Mr. Cheng graduated from Shandong Normal University (山東師範大學) in Jinan of the PRC in July 1991, with a bachelor's degree majoring in English language and literature. Mr. Cheng graduated from Shandong University (山東大學) in Jinan of the PRC in June 1994, with a master's degree in English language and literature. He graduated from Wright State University in Dayton, Ohio, the United States of America in November 2005, with a master's degree in business administration.

Profiles of Directors, Supervisors and Senior Management

Mr. Li Hua (李華), aged 69, is currently an independent non-executive Director of the Company.

Mr. Li worked for the Institute of Highway Planning and Design of the MOC (交通部公路規劃設計院) from December 1977 to May 1989 and held various positions including assistant engineer, engineer and manager. He worked as an engineer of National Communications Investment Company (國家交通投資公司) from May 1989 to August 1991; an officer of the Engineering Management Division of the MOC (交通部工程管理司) from August 1991 to April 1994; the deputy director and director of the Management Office of Maintenance and Repair (養護管理處) under the Highway Management Division of the MOC (交通部公路管理司) from April 1994 to July 1998; the director of the Management Office under the Highway Division of the MOC (交通部公路司) from July 1998 to October 2003 and was designated as the vice mayor of Luoyang, Henan Province for poverty alleviation from March 2002 to February 2003 during his tenure; an assistant to director (director level) of the Highway Division of the MOC from October 2003 to July 2004; the deputy director of the Highway Division of the MOC from July 2004 to March 2009; the director of the Highway Bureau of the Ministry of Transport from March 2009 to May 2012; and the director of the Highway Bureau and the Highway Network Center (路網中心) of the Ministry of Transport from May 2012 to January 2014. Mr. Li has served as an independent non-executive Director of the Company since July 2018.

Mr. Li was awarded the third prize for science advancement by the State Education Commission (國家教委) in July 1992. Mr. Li was awarded the first prize for science advancement by the MOC in July 1993.

Mr. Li graduated from Xi'an Highway Institute (西安公路學院) in Xi'an of the PRC in December 1977, with a bachelor's degree in highway engineering, and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing of the PRC in November 1998, with postgraduate qualification majoring in business economics.

Profiles of Directors, Supervisors and Senior Management

Mr. Wang Lingfang (王令方), aged 66, is currently an independent non-executive Director of the Company.

Mr. Wang served successively as a supervisor and specialised engineer of the boiler team, and deputy head, officer of the quality inspection department, deputy manager, deputy manager and chief engineer, acting manager and chief engineer, committee member and manager in SEPCOII Electric Power Construction Co., Ltd. (山東電力建設第二工程公司) from September 1987 to July 2005. He served as the chairman of the board of director in Guoneng Power Technology & Engineering Co., Ltd. from July 2005 to June 2009. Mr. Wang acted as the chairman of the Board of the Company from October 2005 to March 2008, and served as the general manager and a member of the party committee in SEPCO Nuclear Power Construction Group Corp. (山東電力核電建設集團公司) from June 2009 to April 2014. Mr. Wang served as the deputy general manager in the electrical engineering business unit of Powerchina Limited (中國電力建設股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601669) from April 2014 to August 2015, and served as a consultant of SEPCO Electric Power Construction Corporation (山東電力基本建設總公司)/SEPCO Nuclear Power Construction Group Corporation from August 2015 to March 2017. Mr. Wang has served as an independent non-executive Director of the Company since July 2018.

Mr. Wang was recognised as an Outstanding Entrepreneur in Shandong jointly by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Management Association (山東省質量管理協會) in April 2011. In May 2013, he was recognised as an Outstanding Entrepreneur of National Power Construction of 2012 (2012年度全國電力建設優秀施工企業家) by China Electric Power Construction Association. Mr. Wang was also recognised as a National Outstanding Entrepreneur in Construction Industry of 2012 (2012年度全國優秀施工企業家) by China Association of Construction Enterprise Management in September 2013.

Mr. Wang graduated from Shandong Engineering Institute (山東工學院) (currently known as Shandong University) in Jinan of the PRC in July 1982, with a bachelor's degree majoring in thermodynamics equipment of power plant, and graduated from Shandong University in Jinan of the PRC in June 2002, with a master's degree majoring in power engineering. Mr. Wang was recognised as a senior engineer by the Senior Engineering Profession Qualification Evaluation Committee of Shandong Electric Power Industry Bureau (山東省電力工業局工程技術職務高級評審委員會) in January 1995 and a professorate senior engineer by Power Construction Corporation of China Ltd. in December 2013.

Profiles of Directors, Supervisors and Senior Management

Mr. He Jiale (何家樂), aged 68, is currently an independent non-executive Director of the Company. He concurrently serves as an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603565).

Mr. He served as the director of the finance department and the deputy general manager of COSCO (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司)) from October 1994 to December 1997; and the chief accountant of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司) (currently known as COSCO Shipping Lines Co. Ltd. (中遠海運集裝箱運輸有限公司)) from January 1998 to September 2003. He also served as the chief financial officer of COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司) (currently known as COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運(香港)有限公司)) from October 2003 to November 2005, and served as its director and chief financial officer from February 2012 to November 2015. He served as an executive director of COSCO International Holdings Limited (中遠國際控股有限公司) (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司)), a company listed on the Stock Exchange, stock code: 00517) from November 2003 to January 2006 and from April 2012 to December 2015. He was the chief financial officer of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) (currently known as COSCO SHIPPING Holdings Co., Ltd. (中遠海運控股股份有限公司)), a company listed on the Stock Exchange, stock code: 01919, and a company listed on the Shanghai Stock Exchange, stock code: 601919) from November 2005 to January 2012. In addition, he served as a non-executive director of Chong Hing Bank Limited (創興銀行有限公司) (a company then listed on the Hong Kong Stock Exchange, stock code: 01111), which was delisted from the Stock Exchange after privatization on 30 September 2021 from May 2012 to February 2014 and an executive director of COSCO Pacific Limited (中遠太平洋有限公司) (currently known as COSCO SHIPPING Ports Limited (中遠海運港口有限公司)), a company listed on the Stock Exchange, stock code: 01199) from November 2003 to June 2005 and from January 2009 to March 2013. He served as a supervisor of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (a company then listed on the Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039.SZ) from September 2013 to May 2016, and was an independent non-executive director of the company from June 2019 to June 2022. Since December 2017, he has served as an independent non-executive director of Shanghai Zhonggu Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603565). Mr. He has served as an independent non-executive Director of the Company since December 2018.

Mr. He graduated from the postgraduate studies of international business, management science and engineering from Shanghai University and is a senior accountant.

Mr. Han Ping (韓兵), aged 53, is currently an independent non-executive Director of the Company. He concurrently serves as the vice president of Long Far Herbal Medicine Manufacturing (Hong Kong) Limited and the chairman of Prosperity Capital International Limited (繁榮資本國際有限公司).

Mr. Han served as a trader of Merrill Lynch Securities from September 1998 to September 1999. He has served as the vice president of Long Far Herbal Medicine Manufacturing (Hong Kong) Limited since February 2001 and the chairman of Prosperity Capital International Limited since May 2011. Mr. Han has served as an independent non-executive Director of the Company since November 2019.

Mr. Han holds a bachelor's degree in business administration and finance from the Bernard M. Baruch College, the City University of New York in the United States of America.

Profiles of Directors, Supervisors and Senior Management

SUPERVISORS

(1) Chairman of the Supervisory Committee

Ms. Meng Xin (孟昕), aged 51, is currently the chairman of the Supervisory Committee of the Company. She concurrently serves as the chief accountant of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International (Hong Kong) Co., Ltd..

Ms. Meng worked successively as a staff of the financial department, deputy director of the financial department, director of the financial department and director of development division of the market development department of China Ocean Shipping Agency (中國外輪代理總公司) from July 1994 to December 2001. She served as the director of investment development division of cooperation and development department and deputy general manager of the cooperation and development department, deputy general manager of the planning department, deputy general manager and general manager of the financial department of COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) from January 2002 to November 2016. From December 2016 to October 2017, she was the general manager of the financial management department of COSCO SHIPPING Logistics Co., Ltd. (中國海運遠洋物流有限公司). She has been the general manager of the financial department of COSCO SHIPPING (Hong Kong) since October 2017 and served as the assistant to president and the general manager of the finance department of COSCO SHIPPING (Hong Kong) from January 2020 to July 2022. She has been the chief accountant of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International since July 2022. She has served as the chairman of the Supervisory Committee of the Company since December 2017.

Ms. Meng serves as the chief accountant of COSCO SHIPPING (Hong Kong) and COSCO SHIPPING International, a director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited; an executive director of COSCO SHIPPING International; vice chairman of Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); a director of Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); chairman of Luzhou Laojiao International Development (Hongkong) Co., Limited (瀘州老窖國際發展(香港)有限公司); and the chairman of Quanzhou Jinjiang COSCO Development Co., Ltd. (泉州市晉江中遠發展有限公司).

Ms. Meng graduated from Central University of Finance and Economics in Beijing of the PRC in June 1994, with a bachelor's degree of economics majoring in accounting. Ms. Meng obtained a senior accountant certificate from COSCO (then known as China Ocean Shipping (Group) Corporation) in November 2012.

Profiles of Directors, Supervisors and Senior Management

(2) Shareholder Representative Supervisors

Mr. Zhang Yin (張引), aged 48, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the director of the project development and capital operation centre of Shandong Hi-Speed Group.

Mr. Zhang served successively as a staff member of the traffic and transportation department, deputy section chief of the cargo administration division of the transportation administration department, section chief of the integrated department of the transportation administration office and the deputy director of the port traffic administration department of the transportation administration office of Jinan City Transportation Bureau (濟南市交通局) from July 1997 to October 2015. He served successively as a staff member of the safety operation department, the deputy director of the financial management department and director of the asset management centre of Qilu Transportation from October 2015 to August 2020. He has been the chairman of supervisory committee of Shandong Guilu Highway Construction Co., Ltd. (山東桂魯高速公路建設有限公司) since April 2016 and the chairman of supervisory committee of Shandong Binlai Expressway Co., Ltd. (山東濱萊高速公路有限公司) since September 2016. He served as a supervisor of Qilu Transportation Investment Co., Ltd. (齊魯交通投資有限公司) from May 2018 to August 2019. He has been a supervisor of Shandong Hi-speed Road & Bridge Co., Ltd. (山東高速路橋集團股份有限公司) since April 2019. Since August 2020, he has served as the director of the project development and capital operation centre of Shandong Hi-Speed Group. Mr. Zhang has served as a Supervisor of the Company since 2019.

Mr. Zhang graduated from Shandong Economics University (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in July 1997, majoring in international accounting. He obtained a master's degree in management from Shandong Economics University (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in March 2009, majoring in accounting.

Mr. Wu Yongfu (吳永福), aged 52, is currently a Shareholder representative Supervisor of the Company. He concurrently serves as the secretary of the party general branch and executive deputy director of the Construction Center of Shandong Construction Engineering (山東建設工程建設中心).

Mr. Wu has over 20 years of experience in finance. He served as a cashier trainee of Shandong Luneng Group Electricity Development Co., Ltd. (山東魯能電力開發有限公司) from July 1992 to February 1993, a cashier, accountant, auditor and financial officer of project site of SEPCO1 Electric Power Construction Corporation from March 1993 to November 1998 successively. He served successively as an auditor of the labour and finance department, deputy manager of the human resources and finance department, and manager of the financial department of Shenzhen Shandong Hedian Engineering Co., Ltd. (深圳山東核電工程有限責任公司) from November 1998 to January 2010. Mr. Wu has served as a director of Finance and Property Right Management Department of Guoneng Power Technology & Engineering Co., Ltd. from February 2010 to August 2022, and an executive deputy director of the Construction Center of Shandong Construction Engineering (山東建設工程建設中心) since August 2022. Mr. Wu has served as a Supervisor of the Company since April 2011.

Profiles of Directors, Supervisors and Senior Management

Mr. Wu graduated from the Finance School of Shandong Province (山東省財政學校) (currently known as Shandong University of Science and Technology) in Tai'an of the PRC in July 1992, with a technical school academic qualification majoring in industrial finance and accounting. He graduated from Shandong Economics University (山東經濟學院) (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in December 1995, with a tertiary school academic qualification majoring in accounting by self-studied examination. Mr. Wu was awarded a certificate of accounting professional (會計師資格證書) by the MOF in May 1997. Mr. Wu obtained a certificate of postgraduate degree of business administration (工商管理專業研究生課程證書) from Tianjin University in Tianjin of the PRC in March 2005 and obtained a certificate of correspondence undergraduate degree upgrading from higher education for adults (成人高等教育函授專科起點升本科畢業證書) in engineering management from Harbin Institute of Technology (哈爾濱工業大學) in Harbin of the PRC, from a distance learning programme, in July 2013.

(3) Employee Supervisors

Mr. Wang Shun (王順), aged 53, is currently an employee Supervisor, vice chairman of labor union of the Company and the director of Liaocheng Deshen Operation and Management Centre (聊城德莘運管中心).

Mr. Wang worked in Tai'an Highway Bureau (泰安市公路局) from July 1995 to November 2007, and was responsible for financial affairs. Mr. Wang joined the Company in November 2007 and served successively as the deputy director of Dongping management centre, manager of operation dispatch centre and manager of information technology department. He served as the general office director of the Company from June 2017 to August 2020. He has served as the vice chairman of labor union of the Company since August 2018 and an employee Supervisor since October 2019. Mr. Wang has been the director of Liaocheng Deshen Operation and Management Centre since August 2020.

Mr. Wang graduated from Changsha Communications University (長沙交通學院) in Changsha City of the PRC in July 1995, majoring in Finance. He possesses a certificate of senior economist.

Mr. Hao Dehong (郝德紅), aged 53, is currently an employee representative Supervisor and the department head of the corporate management department.

Mr. Hao served as an accountant and the deputy head of the finance division of the first branch of Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司) from August 1989 to February 1998, the manager of the financial department of project department of the Second Nanjing Bridge of Shandong Luqiao Group Co., Ltd. from March 1998 to July 2000 and the head of finance department of the ninth branch of Shandong Luqiao Group Co., Ltd. from August 2000 to May 2004. Mr. Hao joined the Company in May 2004. He is responsible for financial affairs and has held various positions including chief accountant and vice head of Pingyin South management centre. He acted as the head of Xiaoli management centre from September 2013 to June 2017. Mr. Hao has served as the head of corporate management department since June 2017 and has served as an employee Supervisor of the Company since March 2011.

Mr. Hao graduated from Shandong Economics University (山東經濟學院) (currently known as Shandong University of Finance and Economics) in Jinan of the PRC in July 1992, with a diploma qualification majoring in accounting by self-studied examination from a distance learning programme. He received an intermediate accountant qualification in May 1999 from the Ministry of Personnel and MOF. Mr. Hao graduated from Beijing Jiaotong University (北京交通大學) in Beijing of the PRC in July 2006, with a bachelor's degree majoring in accounting by correspondence education.

Profiles of Directors, Supervisors and Senior Management

Ms. Hou Qinghong (侯清紅), aged 51, is currently an employee Supervisor and the department head of the Department of the Party Operation Department of the Company.

Ms. Hou worked at Liaocheng Daily (聊城日報社) from July 1992 to November 2007. She joined the Company in November 2007. She is responsible for political and human resources affairs and has held various positions including officer of women employees' committee of the labour union, head and deputy manager of the human resources department and member of the disciplinary committee. She has served as a member of the disciplinary committee, officer of women employees' committee of the labour union, vice chairman of labor union and the head of the Party Operation Department from July 2017 to July 2022. Since July 2022, she has served as the vice chairman of labor union and the head of the Party Operation Department. She has become an employee Supervisor since March 2011.

Ms. Hou was named as an Outstanding Youth Civilisation Worker in the Traffic and Transportation Industry of Shandong Province for the year 2011 (交通運輸行業2011年度山東省優秀青年文明工作者榮譽) from Shandong Provincial Committee (山東省委員會) and Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) under the Communist Youth League of China (中國共產主義青年團) in September 2012. Besides, she was accredited as a provincial "Female Advanced Worker" (巾幗建功先進工作者) by Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) and Women's League of Shandong Province (山東省婦女聯合會) in March 2014.

Ms. Hou graduated from Liaocheng Institute of Education (聊城師範學院) (currently known as the Liaocheng University) in Liaocheng of the PRC in July 1992, with a bachelor's degree of arts majoring in Chinese language and literature education. She received a Certificate of Advanced Studies Course for Postgraduate in Literary Aesthetics (文藝學專業研究生課程進修班結業證書) from Shandong University (山東大學) in Jinan of the PRC in September 2002. She was qualified as a chief editor by the Human Resource Bureau of Shandong Province (山東省人事廳) in November 2003. She obtained a Qualification Certificate of First Level Corporate Human Resources Professional (一級企業人力資源管理師資格證書) from the Ministry of Human Resources and Social Security of the PRC and a Vocational Training Certificate of Senior Human Resources Management Professional (高級人力資源法務(規劃)師資格證書) from China Employment Training Technical Instruction Center (中國就業培訓技術指導中心) in October 2013.

(4) Independent Supervisors

Mr. Li Ruzhi (黎汝志), aged 59, is currently an independent Supervisor of the Company.

He has worked at Jointide Law Firm in Shandong since December 2002 and is now a deputy director, senior partner and first-grade lawyer. He served as the chairman of the labour union, the head of general manager office and a senior economist of Shandong Petroleum & Chemical Economic Trade Head Office from July 1994 to December 2012. Mr. Li has served as an independent Supervisor of the Company since December 2018.

Mr. Li holds a bachelor's degree in Chinese Language and Literature from the Department of Chinese of Beijing Normal University and a bachelor's degree in Law from Shandong University.

Profiles of Directors, Supervisors and Senior Management

Mr. Meng Qinghui (孟慶惠), aged 67, is currently an independent Supervisor of the Company.

Mr. Meng served as an accountant of Qingdao Ocean Shipping Co., Ltd. from September 1978 to March 1982. He served as the deputy manager of the finance department of Hong Kong Ocean Shipping Company (香港遠洋輪船公司) from March 1982 to August 1989. He served as the manager of the finance department of Tianlong Shipping Co., Ltd. (天龍船務有限公司) from August 1989 to December 1995. He served as the manager of the finance department of COSCO HIT Terminal (Hong Kong) Ltd. from January 1996 to August 1997. He served as the general manager of the finance department of COSCO (Hong Kong) Group Limited (currently known as COSCO SHIPPING (Hong Kong) Co., Limited) from September 1997 to July 2016. He served as an executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Stock Exchange, stock code: 00517) from March 2002 to July 2008 and a non-executive director of the company from July 2008 to April 2012. He served as a non-executive director of Soundwill Holdings Limited (a company listed on the Stock Exchange, stock code: 00878) from April 2003 to April 2011. He served as a non-executive director of Chong Hing Bank Limited (a company then listed on the Stock Exchange, stock code: 01111, which was delisted from the Stock Exchange after privatization on 30 September 2021) from March 2008 to February 2014. He was the chairman of the Supervisory Committee of the Company from February 2011 to December 2017. Mr. Meng has served as an independent Supervisor of the Company since November 2019.

Mr. Meng graduated from Central South University in Changsha of the PRC in September 1978, majoring in foreign languages and accounting.

SENIOR MANAGEMENT

Mr. Peng Hui (彭暉), aged 58, is currently an executive Director, the general manager and deputy secretary of the party committee of the Company. For further details of the profile of Mr. Peng, please refer to the subsection headed “Directors” in this section.

Mr. Liu Qiang (劉強), aged 54, is currently an executive Director, the deputy secretary of the party committee and the chairman of labour union of the Company. He concurrently serves as a director of Qilu Expressway (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the head of the Construction Office of the Reconstruction and Expansion Project of the Jihe Section of the Jiguang Expressway of the Company. For further details of the profile of Mr. Liu, please refer to the subsection headed “Directors” in this section.

Mr. Chen Xiulin (陳修林), aged 50, currently serves as the deputy general manager, a member of the party committee and the secretary to the Board of the Company.

Profiles of Directors, Supervisors and Senior Management

Mr. Chen was a member of the political affairs department of Shandong Dezhou Machine Tool Factory (山東德州機床廠) from July 1994 to January 1999, a member and vice head of political affairs division of Jining Highway Management Bureau (濟寧市公路管理局) from January 1999 to October 2004. He was an officer of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2004 to March 2005. He served as the deputy manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from March 2005 to October 2006. He worked as the manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2006 to June 2014 and concurrently served as the head of the general department of Shandong Binde Expressway Projects Office (山東省濱德高速公路項目辦). Mr. Chen joined the Company in November 2014 and served as the deputy general manager of the Company. He has served as the deputy general manager and a member of the party committee of the Company since November 2014 and also as the secretary to the Board of the Company since April 2016.

Mr. Chen concurrently served as the standing deputy general manager of Shandong Malong Expressway Company Limited (山東馬龍高速公路有限公司) from June 2014 to April 2016, a director of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from March 2015 to July 2016, and a supervisor of Shandong Jizou Highway Company Limited (山東省濟鄒公路有限公司) from September 2015 to July 2016.

Mr. Chen graduated from Northeast Forestry University (東北林業大學) in Harbin, the PRC in June 1994 with a bachelor's degree of engineering majoring in forestry engineering. In September 2004, Mr. Chen was qualified as a senior political analyst by the Senior Assessment Committee for Ideological and Political Staff at Enterprises in Shandong (山東省企業思想政治工作人員專業職務高級評審委員會).

Mr. Liu Liangrong (劉亮榮), aged 56, currently serves as the deputy general manager and a member of the party committee of the Company.

Mr. Liu served as a turbine technician of SEPCOIII Electric Power Construction Co., Ltd. (山東電力建設第三工程有限公司) from July 1988 to March 1990, a tunnel engineer of Shenzhen Shandong Nuclear Power Construction Company Limited (深圳山東核電工程有限公司) from March 1990 to September 1992, a professional engineer at the technical department of SEPCOIII Electric Power Construction Co., Ltd. from September 1992 to January 2000, the quality engineer, engineer of the Hong Kong projects, project manager of the Diandong projects and deputy chief engineer and project manager of the Indian projects of Shenzhen Shandong Nuclear Power Construction Company Limited from January 2000 to January 2013, project manager and deputy chief engineer of the Indian projects of Guoneng Power Technology & Engineering Co., Ltd. from January 2013 to July 2013 and the deputy chief engineer of Guoneng Power Technology & Engineering Co., Ltd. since July 2013. Mr. Liu joined the Company in April 2015 and has served as the deputy general manager since then. Mr. Liu has been the deputy general manager and a member of the party committee since December 2016. Mr. Liu also served as a director of Shandong Jihe Expressway Service Company Limited (山東濟菏高速服務有限公司) (currently known as Shandong Luchang Expressway Service Area Management Company Limited (山東魯暢高速公路服務區管理有限公司)) from May 2015 to August 2017.

Profiles of Directors, Supervisors and Senior Management

Mr. Liu graduated from Shandong Industrial University (presently known as Shandong University) in Jinan, the PRC in July 1988 with a bachelor's degree of engineering majoring in power thermal dynamics. In December 2001, Mr. Liu was qualified as a senior engineer by the Senior Technical Expert Qualifications Board of State Electric Power Corporation (國家電力公司高級專業技術資格評審委員會). In September 2012, he was qualified as a certified supervisory engineer by the Ministry of Housing and Urban-Rural Development of the PRC. In November 2015, he was qualified as a certified first-class architect by the Ministry of Housing and Urban-Rural Development of the PRC.

Mr. Zhang Junfeng (張俊鋒), aged 45, currently serves as the secretary to the disciplinary committee and a member of the party committee of the Company.

From July 2001 to July 2009, Mr. Zhang successively served as clerk of the public prosecution department of the People's Procuratorate of Gaomi City, clerk of the investigation and supervision department, clerk of the civil and administration inspection department, assistant inspector, inspector, deputy chief and inspector of the civil and administration inspection department, chief of the civil and administration inspection department and deputy chief inspector. From July 2009 to November 2015, he served successively as deputy officer, chief officer and chief officer of the road administration department (Division I) of the office of the Highways Bureau of Transportation Department of Shandong province. From November 2015 to June 2019, he successively served as senior director and deputy director of the office of the board of directors of Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司). Mr. Zhang has served as secretary of the disciplinary committee and a member of the party committee since June 2019.

Mr. Zhang graduated from Northwest College of Politics and Law (西北政法學院) (now known as Northwest University of Political Science and Law (西北政法大學), located in Xi'an city, the PRC) in July 2001 with a bachelor's degree of law majoring in law. Mr. Zhang obtained the legal professional qualification from the Ministry of Justice of the People's Republic of China in March 2004.

Mr. Lian Shengguo (連勝國), aged 45, currently serves as the deputy general manager, a member of the party committee and a joint company secretary of the Company.

Mr. Lian worked at Jining Highway Management Bureau (濟寧市公路管理局) from February 1999 to January 2008, served as the deputy officer of the management office of Jiexiang branch, deputy manager of the infrastructure office, manager of the human resources department, deputy secretary of branch of the party committee of general affairs office, vice chairman of the labour union, manager of the administration department and secretary of branch of the party committee of general affairs office from January 2008 to October 2016. He served as a member of the disciplinary committee of the Company from December 2014 to July 2022 and served as an employee Supervisor from October 2016 to October 2019. Mr. Lian acted as the officer of the office of the Board from June 2017 to August 2020. He has been a joint company secretary of the Company since June 2018. He has served as the chairman of the labor union and a member of the party committee of the Company since June 2019, and was appointed as the deputy general manager of the Company in July 2022.

Mr. Lian graduated from Chang'an University (長安大學) in Xi'an, the PRC, in June 2004 and obtained a bachelor's degree majoring in civil engineering from a distance learning programme, and graduated from Central Party School (中共中央黨校) in Beijing, the PRC, in July 2014 with a master's degree majoring in sociology.

Profiles of Directors, Supervisors and Senior Management

Ms. Xu Yuehong (許月紅), aged 54, currently serves as the deputy general manager of the Company.

Ms. Xu served as a technician at the Jiangsu Province Yangzhou City Synthetic Chemical Plant (江蘇省揚州市合成化工廠) from December 1987 to April 1994. From April 1994 to December 2003, she served as the manager of the finance department of China Ocean Shipping Tally Company Yangzhou Branch Company (中國外輪理貨總公司揚州分公司). From December 2003 to December 2011, she served as the manager of the finance department of Yangzhou Zhongli International Tally Co., Ltd. (揚州中理國際理貨有限公司), and concurrently served as the deputy general manager of the company from December 2011 to March 2014. Ms. Xu served as the general manager of the finance department of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) from March 2014 to May 2018, and served as an assistant to general manager of the industry and trade department of COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司) from May 2018 to March 2020. Ms. Xu joined the Company in April 2020 and has served as the deputy general manager of the Company since August 2020.

Ms. Xu holds a bachelor's degree in accounting from the China Central Radio and TV University (currently known as the Open University of China).

Mr. Gao Pu (高璞先生), aged 51, is currently the chief financial officer of the Company and a member of the party committee.

Mr. Gao served as the manager of the financial department of Laizhou City Beilai Highway Investment Co., Ltd. (萊州市北萊公路投資有限公司), the manager of the financial management department of Shandong Highway & Bridge Construction Co., Ltd. (山東省公路橋樑建設有限公司). From April 2017 to February 2020, he was the manager of the finance department, a member of the party committee and the chief accountant of Shandong Luqiao Construction Co., Ltd. (山東魯橋建設有限公司). From February 2020 to November 2021, he served as the head and director of the financial management department of the Shandong Hi-Speed Road & Bridge Group Co., Ltd. (山東高速路橋集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000498.SZ). He has been the chief financial officer of the Company since December 2021.

Mr. Gao holds a bachelor's degree in finance management from Changsha University of Science and Technology, and he is a senior accountant and a senior economist in the PRC.

Mr. Zhao Guangmin (趙廣民先生), aged 53, is the safety director of the Company.

Mr. Zhao served as the director of Dongping management centre of Qilu Expressway Company Limited from November 2007 to June 2017, the director of Changqing management centre Qilu Expressway Company Limited from June 2017 to March 2020 and a director and general manager of Shandong Gangtong Construction Co., Ltd.* (山東港通建設有限公司), from March 2020 to December 2021. He has been the safety director of the Company since January 2022.

Mr. Zhao holds a bachelor's degree in transportation engineering from Changsha University of Science and Technology, the Certificate of Registration of Constructor awarded by the Ministry of Housing and Urban-Rural Development of the PRC, and a senior engineer qualification awarded by the Shandong Provincial Department of Human Resources and Social Security.

Profiles of Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo (連勝國), aged 45, currently serves as the deputy general manager, a member of the party committee and a joint company secretary of the Company.

For further details of the profile of Mr. Lian, please refer to the sub-section headed “Senior Management” in this section.

Ms. So Shuk Yi Betty (蘇淑儀), currently serves as a joint company secretary of the Company. She is the president of SWCS Corporate Services Group (Hong Kong) Limited, a company providing corporate secretarial service.

Ms. So has over 20 years of experience in the corporate secretarial field. During the period, Ms. So was employed in the company secretarial role of several companies listed on the Stock Exchange and accounting firms.

Ms. So obtained a master’s degree in business administration from the Faculty of the Social Sciences in the University of Leicester (located in the United Kingdom) in July 1999, and obtained a master’s degree in law from the City University of Hong Kong in November 2004. Ms. So has been an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since 1997.

Report of the Board of Directors

The Board hereby presents the report of the Board of Directors and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL BUSINESSES

The Company is principally engaged in Shandong Province, the PRC in (i) the construction, maintenance, operation and management of the Jihe Expressway, and is entitled to toll collection from vehicles passing through the Jihe Expressway for the period from 26 September 2004 to 25 September 2034. Subsidiaries of the Company is engaged in the business of outdoor advertising production and distribution along the Jihe Expressway in Shandong Province; and (ii) the maintenance, operation and management of the Deshang and Shennan Expressways, and is entitled to toll collection from vehicles passing through the expressways, for the period, in respect of the Deshang Expressway (Liaocheng-Fan County section), from 24:00 on 31 December 2019 to 15 November 2040, and in respect of the Shennan Expressway, from 24:00 on 31 December 2019 to 27 September 2043.

In addition, the Company's principal activities include construction engineering such as highway engineering construction, expressway maintenance and municipal greening; and sales of industrial products. The Group principally carried out business in Shandong Province, the PRC.

FINANCIAL POSITION AND RESULTS

During the Year, the revenue from our operation was approximately RMB2,931,294,000, representing an increase of approximately 46.91% as compared to approximately RMB1,995,309,000 for the previous year. The cost and gross profit from our operations were approximately RMB1,771,907,000 and RMB1,159,387,000, respectively, as compared to those of approximately RMB671,628,000 and RMB1,323,681,000, respectively for the previous year, representing an increase of approximately 163.82% and a decrease of approximately 12.41%, respectively. Net profit from operation amounted to RMB780,056,000, representing a decrease of approximately RMB73,378,000 or 8.60% as compared to that of 2021 (approximately RMB853,434,000).

The Group's earnings per Share from operation for the Year was RMB0.39, representing a decrease of 9.30% as compared to that of 2021 (RMB0.43).

Report of the Board of Directors

CLOSURES OF REGISTER OF MEMBERS

2022 AGM

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

Proposed Distribution of 2022 Final Dividend

The Board proposes a payment of a cash dividend of RMB0.18 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB360,000,000 (tax inclusive) as the 2022 Final Dividend for the year ended 31 December 2022. The proposal for such dividend payment is subject to consideration and approval by the Shareholders at the 2022 AGM, and, if approved, such dividend will be payable to the Domestic Shareholders and the H Shareholders whose names appeared on the register of members of the Company on Monday, 10 July 2023. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Shareholders and the H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for the payment of dividend in Hong Kong dollars shall be the average middle rate for the five working days preceding the date of declaration of such dividend at the 2022 AGM (that is, Tuesday, 27 June 2023) as announced by the People's Bank of China. The share register of the Company will be closed from Tuesday, 4 July 2023 to Monday, 10 July 2023 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2022 Final Dividend distribution, Shareholders who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC (for Domestic Shareholders) by no later than 4:30 p.m. on Monday, 3 July 2023.

The Board has scheduled to distribute the 2022 Final Dividend on Thursday, 31 August 2023. Announcement(s) will be published by the Company as soon as practicable and in accordance with the Listing Rules for any changes to the expected date of dividend payment.

Report of the Board of Directors

Tax on Dividends

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

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

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

Report of the Board of Directors

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Monday, 3 July 2023, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People's Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

DIVIDEND POLICY

The Company may pay dividends by cash or by shares (or in combination of both). The proposal for dividend distribution will be formulated by our Board at their discretion and shall be subject to approval at the Shareholders' general meeting. In any circumstances, the Company will pay dividends out of net profit only after it has made the following allocations:

- cover accumulated losses, if any;
- allot to the statutory common reserve fund an amount equivalent to 10% of our net profit, as determined under PRC GAAP; and
- allot, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a Shareholders' general meeting.

The minimum allocation to the statutory common reserve fund shall be 10% of our net profit according to the PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to the statutory common reserve fund will be required. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

The Company expects to distribute dividends of approximately 60.0% to 70.0% of its annual distributable profits. Where there is significant investment or acquisition plans in such year, the Company will decrease its dividend payment ratio accordingly. However, there is no assurance that the Company will be able to distribute such dividends of such amount or any amount in each year or any year. The dividend policy of the Company in the future will be determined by the Board based on operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distribution of the Company and such other factors that the Board may consider relevant.

FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

Details of the Group's fixed assets and construction-in-progress for the Year are set out in Note 13 to the financial statements in this annual report.

Report of the Board of Directors

UNDISTRIBUTED PROFITS AT THE END OF THE YEAR

Details of the undistributed profits of the Group for the Year are set out in the “Consolidated Statement of Changes in Equity” in this annual report. As at 31 December 2022, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB1,571,531,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue of the Group mainly derived from toll income collected from expressway users, all of them were individuals, they are relatively random and none of them were major customers. Therefore, given the nature of the Group’s Expressway Business, there were no single customer who contributed more than 5% to the revenue or was otherwise material to our business during the Reporting Period, and accordingly, there was no major customer who was also a major supplier.

During the Year, the purchases made by the Group from the five largest suppliers of goods or services (i.e. its suppliers of non-capital goods) accounted for approximately 12.6% of its cost of sales, and the purchases made by the Group from the largest supplier of non-capital goods accounted for approximately 8.87% of its cost of sales. The purchases made by the Group from the five largest suppliers of equipment and construction services (i.e. its suppliers of capital goods) amounted to approximately RMB188,301,000, and the purchases made by the Group from the largest supplier of equipment and construction services amounted to approximately RMB69,842,000.

Therefore, during the Reporting Period, purchases from the Group’s top five suppliers collectively accounted for less than 30% of the Group’s cost of sales.

ENVIRONMENTAL POLICY AND PERFORMANCE

For details of the environmental policy and performance of the Group during the Reporting Period, please refer to the section under “Environmental, Social and Governance Report” of this report, which forms a part of this Report of the Board of Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company understands the importance of complying with laws and regulations, and the failure in complying with such requirements may result in the termination of business licence. The Company has deployed systems and human resources to ensure compliance with rules and regulations on ongoing basis, and has maintained good working relationship with regulatory authorities through effective communication. During the year ended 31 December 2022, to the best knowledge of the Directors, the Company has complied with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies of the People’s Republic of China, the Highway Law of the People’s Republic of China, the SFO, the Listing Rules, and other relevant laws and regulations.

Report of the Board of Directors

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For details of the Group's relationships with employees, customers and suppliers during the Reporting Period, please refer to the section under "Environmental, Social and Governance Report" of this report, which forms a part of this Report of the Board of Directors.

PROMINENT RISK FACTORS

Risk exposure of a company refers to the impact of future uncertainties on a company in achieving its business goals. The Company is mainly engaged in the construction, operation and management of expressways; construction engineering such as highway engineering construction, expressway maintenance and municipal greening; and sales of industrial products. We believe that the Company is primarily exposed to policy, market and management risks. The Company attaches great importance to the above risks by taking the initiative to identify, evaluate and respond to the risks arising in the course of operation and establishing and improving its systematic risk management mechanism.

(1) Policy risk and countermeasures

In terms of toll collection, the Company derived its profit mainly from the operation of toll roads. Pursuant to the Highway Law of the People's Republic of China 《中華人民共和國公路法》, the Regulation on the Administration of Toll Roads 《收費公路管理條例》 and other relevant rules, expressway companies do not have an independent pricing right of toll rates, and the determination and adjustments of toll rates of expressways under their control shall be reported to the competent transport authority and pricing authorities at the provincial level for review and approval. If there is any significant change in the operating environment, price level and operating costs and other factors, expressway companies may apply to the above authorities for adjustment to toll rates. However, there is no assurance that the application will be approved in a timely manner. In addition, as PRC residents generally pay close attention to the toll collection policy for expressways, the Company may be exposed to greater public pressure on favourable adjustments to policies. If the government introduces new toll collection policies for expressways and preferential toll policies, expressway companies shall comply with such requirements, which will affect the stability of their operational efficiency to a certain extent. Moreover, amid the current pandemic situation, if the Ministry of Transport issue notices regarding toll exemption for vehicles on expressways, the Company's toll income will be negatively affected.

In terms of concession rights, toll road assets are relatively monopolised under concession arrangements with a finite term of toll collection, and the sustainable development of expressway operators is exposed to stringent challenges upon expiration of the term of toll collection.

To counter policy risk, the Company, on the one hand, shall take the initiative to strengthen the communication and reporting with the competent government authorities, and strive to win support and understanding from the government and society; and, on the other hand, is necessary to strengthen its own strengths and reinforce its risk resistance capability. In addition, under the principle of self-motivation and prudence, the Company fully capitalises on its resource advantages such as management and technology, and actively conducts research and attempts to explore the industries and businesses that relate to the toll road industry and the core business competence of the Company so as to implement diversified development strategies that are highly related to its principal businesses.

Report of the Board of Directors

(2) Changes in macroeconomic environment and countermeasures

The toll road industry is sensitive to macroeconomic changes. Macroeconomic changes have direct impact on the demand for road transport, which in turn affects the traffic flow of toll road projects and the operating results of the Company. Although the long-term trend of stable economic development in the PRC remains promising, attention should still be paid to the current pressure of economic fluctuation. The potential landscapes and new problems to be raised in the existing economic operation at home and abroad will also pose potential worries and challenges to the PRC economy.

The Company will analyse and study on the adjustments to relevant industry policies, proactively communicate and coordinate with competent government authorities, and spare no efforts in safeguarding the interests of the Company and investors; through the analysis of the current economic situation and regulatory targets, judge the impact of the macroeconomic trend on the demand for road transport, regularly collect data about the economic development in Shandong Province and surrounding regions, analyse the characteristics of the traffic flow of road network and the structural changes in vehicle classification, and minimise the negative impacts of changes in the economic environment on the Company's operation.

(3) Diversified travel patterns and changes in road network

With the rapid construction of the national railway network and pipeline transportation, the travel duration between any two cities/countrysides in the PRC will be substantially reduced by travelling via high-speed railway and intercity express, which will influence the highway passenger transportation services to a certain extent. In addition, the development of pipeline transportation will change the modes of transportation for oil and gas and other resources, which in turn will have an impact on cargo transportation on highways. On the other hand, the further densification and optimisation of expressway network will lead to an increasing number of parallel roads and alternative roads, and road network diversions will bring negative impacts on the growth of the Company's toll income. Meanwhile, the overhaul, modification and extension of the roads surrounding our toll road projects as well as the treatment works on the surrounding road and bridge projects will cause changes in traffic flow of the road network, which will in turn have an impact on the operating performance of the Company's expressway projects.

The Company will keep abreast of the road network planning and the construction status of projects in a timely manner, conduct specialised analysis on road network in advance, and make reasonable predictions on the impact of relevant projects on the traffic flow of the existing projects of the Company. The Company will make good use of its advantage in informatisation to carry out marketing activities for road sections while maintaining effective publicity and diversion to attract traffic flow. The Company will also continue to promote quality service with a smile (微笑服務), improve the efficiency of tolling, road traffic capacity and service level, and enhance the competitiveness of the road sections operated by the Company in the road network.

Report of the Board of Directors

(4) Management risk and countermeasures

Upon completion and operation of its managed expressways, the Company shall conduct routine road maintenance to ensure a favourable traffic environment. If the repair, modification or extension is relatively large in scale or takes longer time, the traffic flow will be affected; and in the course of operation, the expressway is highly probable to incur serious damage on occurrence of floods, earthquakes and other unforeseeable natural disasters, which may result in the failure of the expressway to maintain normal operation for a period of time. Further, in case of dense fog and heavy snow and ice, the expressway will be partially or even completely closed for a short period of time. Major traffic incidents may cause traffic jams, weakened traffic capacity and damages to roads and bridges. These situations will directly lead to decreased toll revenue and increased maintenance costs, which will affect the operating results of the Company.

In light of the above management risk, the Company has adopted and will continue to adopt the following precautionary and responsive measures: strengthening the preventive road maintenance and repair works, making reasonable arrangements for the construction and maintenance project implementation plans; purchasing high-quality road-related assets to secure stable and broaden the source of income; effectively playing the role in linkage coordination mechanism with the traffic police, road administration and other departments, as well as reinforcing road patrol system under bad weather conditions, so as to ensure smooth and safe traffic on its managed expressways.

In addition, the Company strives to implement our strategies including (i) keeping close attention to high-quality road-related assets to expand our business; (ii) further strengthening the application of information technology and improving the effectiveness of our technology; (iii) continuing to increase our operating efficiency and enhance our profitability; and (iv) establishing an optimised human resources system to attract, motivate and nurture high-quality talents in road operation and management. Please refer to the sub-section headed “Business – Our Competitive Strengths and Strategies – Business Strategies” in the Prospectus for details. As at the date of this report, we are still in the process of identifying suitable acquisition or investment targets of the road-related assets, and have not entered into any agreement or memorandum of understanding with any potential target. Further announcements on the latest developments will be made by the Company in accordance with the requirements of relevant laws and regulations (including but not limited to the Listing Rules).

Report of the Board of Directors

(5) Environmental, social and governance risks and countermeasures

Climate change is materially affecting societies and economies around the world and therefore it also impacts upon the Group's business. In recent years, China has become increasingly concerned about the issue of climate change. In 2020, China clearly set the targets of "carbon dioxide peaking" by 2030 and "carbon neutralization" by 2060, advocating a green, environmentally friendly and low-carbon lifestyle. In order to achieve the dual carbon strategy, it is the trend of the China's economic development and green transformation to accelerate the pace of carbon emission reduction, guide green technology innovation and continuously promote the adjustment of industrial institutions and energy structure. This trend will inevitably lead to the introduction of relevant measures, which may bring about changes in laws, regulations or policies. As an expressway comprehensive services provider, the actual needs of the customers served by the Company are inextricably linked to the topic of energy. Changes in energy prices, the research and development and promotion of green energy, and the extent of construction of green energy supporting facilities along the expressway will have an impact on traffic travel and goods transportation, which in turn will have certain risks on the traffic flow and road tolls from the Company's expressway. In the long run, the potential impact of extreme events (e.g, floods, storms, pandemics), as well as the physical risks of climate-affected energy and water supplies, may pose a risk to the Company's assets such as infrastructure. At present, we are not aware of any specific current policy requirements related to the dual carbon strategy or trends in climate change that would pose a immediate or material risk to the Company's development.

Meanwhile, the Company has always been committed to providing safe, fast, economical and comfortable transport services to the general public, and effectively promoting regional integration and social and economic development, which is the primary social responsibility of the Company. While paying attention to economic efficiency, we also focus on the environmental and social impacts of our operations and the interests of our internal and external stakeholders, so as to achieve sustainable development by incorporating environmental, social and governance (ESG) concepts into every aspect of our business operations. In the future, the Company will continue to adhere to its goals of ecological priority and pursuing green development, and make continuous contributions to society.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group during the Year are set out in Note 35 to the financial statements in this report.

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2022, the Company had 6 subsidiaries, 2 joint ventures and 1 associate, particulars of which are set out in Notes 1, 17 and 18 to the consolidated financial statements in this annual report.

DONATIONS

The charitable and other donations of the Group during the Year amounted to approximately RMB16,780.

Report of the Board of Directors

CONNECTED TRANSACTION

During the Reporting Period, Shandong Hi-Speed Group, through its subsidiary, Shandong Hi-Speed, indirectly holds approximately 38.93% of the issued shares of the Company, and therefore, Shandong Hi-Speed Group and Shandong Hi-Speed are controlling shareholders of the Company as defined in the Listing Rules. As Shandong Hi-Speed Group and Shandong Hi-Speed hold more than 10% issued share capital of the Company, both of them are substantial shareholders of the Company as defined in the Listing Rules and are connected persons of the Company under the requirements of Chapter 14A of the Listing Rules. Therefore, all the Company's transactions with Shandong Hi-Speed Group (and its subsidiaries and associates) are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

Shandong Hi-Speed Group and Shandong Hi-Speed respectively hold approximately 37.06% and 11.6% of the shares in issue of Weihai City Commercial Bank. Therefore, according to the requirements of Chapter 14A of the Listing Rules, Weihai City Commercial Bank is an associate of Shandong Hi-Speed Group, and in turn a connected person of the Company under the Listing Rules. As a result, the Company's transactions with Weihai City Commercial Bank are connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transactions

(1) *The Jihe Expressway Land Lease Agreement*

The Company and Qilu Transportation entered into the Jihe Expressway Land Lease Agreement on 12 December 2017, pursuant to which, Qilu Transportation agreed to lease to the Company the land use rights of the 29 parcels of land of the Jihe Expressway with an aggregate GFA of 10,181,936.30 sq.m. in nine districts and counties of Shandong Province (collectively the "**Leased Lands**") for a term commencing from 1 January 2017 until 25 September 2034 (i.e. the expiry date of the Concession Period) to ensure the Group's exclusive and unrestricted right to use the lands of the Jihe Expressway during the remaining term of the Concession Period and the smooth and stable operation thereof, which is in the interests of our Group and our Shareholders as a whole. In accordance with the Jihe Expressway Land Lease Agreement, the Company may use the Leased Lands from 1 January 2017 to the execution date of the Jihe Expressway Land Lease Agreement at nil cost. The total rent for the land use right of the Leased Lands from the execution date of the Jihe Expressway Land Lease Agreement to 25 September 2034 is RMB40.956 million. The Company shall pay RMB2.310 million to Qilu Transportation within 15 days from the date on which the Jihe Expressway Land Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 instalments from 2018 to 2034. The Company shall pay RMB2.310 million to Qilu Transportation by 31 March of each of the years from 2018 to 2033 and shall pay RMB1.686 million to Qilu Transportation by 31 March 2034.

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Jihe Expressway Land Lease Agreement.

Report of the Board of Directors

Pricing policies:

The rent payable under the Jihe Expressway Land Lease Agreement was determined by both parties to the agreement through arm's length negotiation with reference to (i) the cost of application for the immovable property right certificates of the lands of the Jihe Expressway by Qilu Transportation; (ii) the area leased, geographic location and condition of surrounding area, and the prevailing market rent in respect of the land parcels of the same or similar nature in the same region; and (iii) the estimated changes in the prevailing market rent in the future.

Annual caps:

According to the above pricing policies and based on the terms of the Jihe Expressway Land Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Jihe Expressway Land Lease Agreement for the year ended 31 December 2022 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	Annual caps for the year ending 31 December <i>RMB million</i>
2022	2.310
2023	2.310
2024	2.310
2025	2.310
2026	2.310
2027	2.310
2028	2.310
2029	2.310
2030	2.310
2031	2.310
2032	2.310
2033	2.310
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	1.686

The amount payable to Shandong Hi-Speed Group in the sum of RMB2.310 million under the Jihe Expressway Land Lease Agreement for the year ended 31 December 2022 has been paid in March 2022.

Report of the Board of Directors

(2) *The Jihe Expressway Property Lease Agreement*

The Company and Qilu Transportation entered into the Jihe Expressway Property Lease Agreement on 12 December 2017, pursuant to which Qilu Transportation agreed to lease 45 properties used as 7 management centres and 1 maintenance and emergency response centre (collectively, the “**45 Leased Properties**”) with an aggregate GFA of 26,427.59 sq.m. to the Company. The lease term is approximately 17.4 years commencing from 1 May 2017 to 25 September 2034 (i.e. the expiry date of the Concession Period) to ensure that the Group has the exclusive and unrestricted right to use the 45 Leased Properties as the staff of the management centre as offices and residence and for the storage of maintenance and emergency during the remaining term of the Concession Period and the smooth and stable operation thereof, which is in the interests of our Group and our Shareholders as a whole. In accordance with the Jihe Expressway Property Lease Agreement, the total rent payable during the lease term is RMB65.65 million. The Company shall pay RMB58.00 million to Qilu Transportation within 15 days from the date on which the Jihe Expressway Property Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 equal instalments of RMB0.45 million each by 31 March from 2018 to 2034.

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Jihe Expressway Property Lease Agreement.

Pricing policies:

The rent payable under the Jihe Expressway Property Lease Agreement was determined by both parties to the agreement through arm’s length negotiation with reference to (i) the area leased, geographic location and condition of surrounding area; (ii) the prevailing market rent in respect of the properties of the same or similar nature in the same region; (iii) the appraised value of such leased properties; and (iv) the estimated changes in the prevailing market rent in the future.

Report of the Board of Directors

Annual caps:

According to the above pricing policies and based upon the terms of the Jihe Expressway Property Lease Agreement, it is estimated that the maximum annual rental payment to be paid by the Company under the Jihe Expressway Property Lease Agreement for the year ended 31 December 2022 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	Annual caps for the year ending 31 December <i>RMB</i>
2021	450,000
2022	450,000
2023	450,000
2024	450,000
2025	450,000
2026	450,000
2027	450,000
2028	450,000
2029	450,000
2030	450,000
2031	450,000
2032	450,000
2033	450,000
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	450,000

The amount payable to Shandong Hi-Speed Group in the sum of RMB450,000 under the Jihe Expressway Property Lease Agreement for the year ended 31 December 2022 has been paid in March 2022.

Report of the Board of Directors

(3) *The Deshang and Shennan Expressways Service Agreement*

The Company entered into the Deshang and Shennan Expressways Service Agreement with Qilu Transportation Liaocheng Branch and Qilu Transportation on 2 June 2020, pursuant to which Qilu Transportation Liaocheng Branch seconded the employees recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance in respect of the Deshang and Shennan Expressways from 14 September 2020.

Subsequently on 26 November 2020, Shandong Hi-Speed Group, Qilu Transportation and the Company completed the execution of the Tripartite Agreements, confirming that Shandong Hi-Speed Group shall assume all contractual rights and obligations of Qilu Transportation under the Deshang and Shennan Expressways Service Agreement.

On 30 December 2022, the Company entered into the 2023 Deshang and Shennan Expressways Service Agreement with Shandong Hi-Speed Group and Shandong Hi-Speed Group Liaocheng Branch for the continuation of the provision of services under the Deshang and Shennan Expressways Service Agreement for the period from 1 January 2023 to 31 December 2023.

Pricing policy:

Service fees will be determined on a cost-plus basis, that is, based on relevant staff costs plus 6.57% as management fee.

The aforesaid management fee encompasses the expenses to be borne by Shandong Hi-Speed Group Liaocheng Branch incurred from, among other things, administration of remuneration and benefits, making social security and insurance contributions, management of staff files and records, contract administration, providing professional development, engaging in staff evaluation and review, arranging for physical examination, handling staff retirement, and tax expenses arising from the aforesaid activities. The management fee is determined by both parties on arm's length negotiations after taking into account a number of factors such as operating costs, technical levels and the expertise of such employees performing the services, and the average management fee of industry peers for provision of similar services.

Report of the Board of Directors

Annual caps:

The annual caps of the Company under the Deshang and Shennan Expressways Service Agreement for the year ending 31 December 2022 shall be as follows:

Year	Annual caps for the year ending 31 December <i>RMB</i>
2022	41,000,000

For the year ended 31 December 2022, the actual transaction amount under the Deshang and Shennan Expressways Service Agreement was RMB31,916,000.

(4) *The 2021-2023 General Services Framework Agreement*

Pursuant to 2021-2023 General Services Framework Agreement, from 18 June 2021 to 31 December 2023, Shandong Hi-Speed Group and its relevant subordinated entities would provide the Group with certain services in relation to highway business operation, including (i) highway design services including planning, renovation, engineering, survey and system design of flyovers, road surfaces, highways and ancillary facilities; (ii) highway inspection and maintenance services including regular inspections of roadbed and road surface, regular and ad-hoc inspections of bridges and tunnels as well as maintenance and repair of flyovers and road surfaces; (iii) highway research and analysis services including survey and analysis of road sections, research on the treatment measures and techniques, projection of and research on the traffic flow and toll income; and (iv) highway construction supporting services including monitoring of highway technologies, project supervision, project contracting, supply of bulk materials and other related or similar services.

Reference is made to the announcement dated 3 May 2021 of the Company. As disclosed therein, the Company received a notice from the Shandong Provincial Traffic Transport Department that the R&E Project of Jihe Expressway has been listed as a project planned to be implemented under the "14th Five-Year Plan", and the Company was required to accelerate the commencement of the relevant preliminary preparation works. Taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant subordinated entities, the progress of preliminary works under the R&E Project of the Jihe Expressway and the expected increase in the demand for such services of the Company, the Board passed a resolution on 26 August 2021 to adopt the proposed revision of the annual caps under the Agreement for each of the three years ending 31 December 2023 to RMB100 million, RMB200 million and RMB100 million respectively, which has been considered, approved and confirmed at the extraordinary general meeting on 13 December 2021.

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Subsequently, with the main works under the R&E Project carried out during the Reporting Period, taking into account the scope of services that can be provided by Shandong Hi-Speed Group and its relevant subordinated entities, the progress of main works under the R&E Project on the Jihe Expressway, the winning bid of the main project section under the R&E Project the expected further increase in the demand for such services of the Company, the Board passed a resolution on 20 May 2022 to adopt the proposed revised annual caps (being RMB1.7 billion and RMB2.4 billion respectively) as the respective annual caps for the two years ending 31 December 2023, which has been considered, approved and confirmed at the extraordinary general meeting on 19 August 2022.

Pricing policies:

The pricing of each of the services provided under the 2021-2023 General Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular service at any time within the agreement period of the Agreement, the price of such service shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where the central or local government guided price standard is available for a particular service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such service shall be determined within the range of the government-guided price through negotiation;
- (iii) market price: where the above two price standards are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service that require bidding procedures as required by laws and regulations, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. If such service is the one that requires bidding procedures according to laws and regulations, the price shall be the price determined by the bidding procedures. When the relevant project meets the required standards, the Company must conduct bidding to determine the counterparty of the transaction, and if Shandong Hi-Speed Group and its relevant subordinated entities win the bid, they must also satisfy the bid winning conditions.

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Where the price is determined by applicable parties through negotiation, the major factors the parties should take into account include:

- (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the same or similar service provided by Shandong Hi-Speed Group and its relevant subordinated entities to any third party, and the minimum quotation for such service.

Annual caps:

The annual caps under the 2012-2023 General Services Framework Agreement of the Company for the two years ending 31 December 2023 shall be as follows:

Year	Annual caps for the year ending 31 December <i>RMB'000</i>
2022	1,700,000
2023	2,400,000

For the year ended 31 December 2022, the actual transaction amount under the 2021-2023 General Services Framework Agreement was RMB371,890,000.

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(5) *2021-2023 Financial Services Framework Agreement*

On 31 August 2021, the Company entered into the 2021-2023 Financial Services Framework Agreement with Weihai City Commercial Bank, pursuant to which, Weihai City Commercial Bank agreed to provide deposit services and the Other Financial Services to the Group, subject to the terms and conditions of the 2021-2023 Financial Services Framework Agreement.

Pricing policies:

Weihai City Commercial Bank has undertaken to provide the above financial services to the Group in accordance with the following pricing policies:

- (1) the deposit interest rate provided by Weihai City Commercial Bank to the Group shall not be lower than any of the following: the interest rates offered by Weihai City Commercial Bank to other members of Shandong Hi-Speed Group for the same type of deposits on the same conditions; and the interest rates offered by other PRC commercial banks to the Company and its subsidiaries for the same type of deposits.
- (2) the fees charged by Weihai City Commercial Bank for provision of the Other Financial Services to the Group shall meet all of the following criteria:
 - (i) it shall not be higher than the standard interest rates as issued by the PBOC or CBIRC from time to time (if applicable);
 - (ii) it shall not be higher than or shall be equivalent to the interest or service fees charged by other commercial banks or other financial institutions in respect of the provision of similar services; and
 - (iii) it shall not be higher than the interest or service fees charged by Weihai City Commercial Bank in respect of the provision of similar services to other members of Shandong Hi-Speed Group.

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Annual caps:

- (1) Deposit Services

Year	Daily maximum deposit balance for the year ending 31 December (including accrued interests) <i>RMB'000</i>
2022	1,000,000
2023	1,000,000

For the year ended 31 December 2022, under the 2021-2023 Financial Services Framework Agreement, the daily maximum deposit balance (including accrued interest) of the Group in Weihai City Commercial Bank is RMB560,250,000.

- (2) The Other Financial Services

Year	Annual caps for the year ending 31 December <i>RMB'000</i>
2022	10,000
2023	10,000

For the year ended 31 December 2022, under the 2021-2023 Financial Services Framework Agreement, there was no transaction in respect of the Other Financial Services in the Group.

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(6) *Services Provision Framework Agreement*

The Company entered into the Services Provision Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group provided certain services for Shandong Hi-Speed Group and its subordinated companies, primarily including labour subcontracting, consulting services, lease services, warehousing and logistics services, installation services, trade services, agent construction services, import and export of goods, project management service and landscaping services, as well as all other services prescribed under the Group's registered business scopes and as permitted by applicable laws.

Pricing policies:

The pricing of each of the services provided under the Services Provision Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular service, the price of such service shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular service and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such service shall be determined within the range of the government-guided price through negotiation;

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- (iii) market price: where the above two price standards are not available for a particular service or the previous government prescribed or guided price are no longer applicable to such service, and such service does not fall within those services subject to tender process pursuant to laws and regulations, the price of such service shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the service falls within those services subject to tender process pursuant to laws and regulations or the party receiving the service must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

Where the price is determined by applicable parties through negotiation, the major factors the parties should take into account include:

- (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar service sold by the parties and their relevant subordinate entities to any third party.

Annual caps:

The annual caps under the Services Provision Framework Agreement of the Company for the two years ending 31 December 2023 shall be as follows:

Year	Annual caps for the year ending 31 December <i>RMB'000</i>
2022 (from the date of the Services Provision Framework Agreement to 31 December 2022)	10,000
2023	40,000

For the period from the date of the Services Provision Framework Agreement to 31 December 2022, the actual transaction amount under the Services Provision Framework Agreement was RMB2,206,000.

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(7) *General Procurement Framework Agreement*

The Company entered into the General Procurement Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group procured certain goods from Shandong Hi-Speed Group and its subordinated companies, primarily including steel reinforcement bars, strand, cement, geomaterials, asphalt, concrete and other building materials, construction equipment and their accessories, as well as all other items prescribed under the registered business scopes of Shandong Hi-Speed Group and its subordinated companies and as permitted by applicable laws.

Pricing policy:

The pricing of each of the goods procured under the General Procurement Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular product, the procurement price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;
- (iii) market price: where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

Where the price is determined by applicable parties through negotiation, the major factors the parties should take into account include:

- (a) the prevailing market price charged by any third party selling/procuring a similar product in the region, taking into consideration of the quotation from other product suppliers providing the similar product and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar product sold/procured by the parties and their relevant subordinate entities to/from any third party.

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Annual caps:

The annual caps under the General Procurement Framework Agreement of the Company for the two years ending 31 December 2023 shall be as follows:

Year	Annual caps for the year ending 31 December <i>RMB'000</i>
2022 (from the date of the General Procurement Framework Agreement to 31 December 2022)	150,000
2023	1,100,000

For the period from the date of the General Procurement Framework Agreement to 31 December 2022, the actual transaction amount under the General Procurement Framework Agreement was RMB7,956,000.

(8) *General Sales Framework Agreement*

The Company entered into the General Sales Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, the Group sold certain goods to Shandong Hi-Speed Group and its subordinated companies, primarily including asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, and plantation protection materials, as well as all other items prescribed under the Group's registered business scopes and as permitted by applicable laws.

Pricing policy:

The pricing of each of the goods provided under the General Sales Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular product, the selling price of such product shall be determined in accordance with the prescribed price published on the website of the relevant government authority or the authoritative price list;
- (ii) government-guided price: where a guided price standard imposed by the central or local government is available for a particular product and such guided price standard has been published on the website of relevant government authority or via authoritative price list, the price of such product shall be determined within the range of the government-guided price through negotiation;

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- (iii) market price: where the above two price standards are not available for a particular product or the previous government prescribed or guided price are no longer applicable to such product, and such product does not fall within those subject to tender process pursuant to laws and regulations, the price of such product shall be determined with reference to the market price and the general principle for pricing shall be fair and reasonable. If the product falls within those subject to tender process pursuant to laws and regulations or the party receiving the procurement must apply the bidding procedure according to its internal code, the price shall be determined by tender process.

Where the price is determined by applicable parties through negotiation, the major factors the parties should take into account include:

- (a) the prevailing market price charged by any third party selling/procuring a similar product in the region, taking into consideration of the quotation from other product suppliers providing the similar product and a minimum of two comparable transactions carried out with independent third parties during the same period; and
- (b) the minimum quotation for the same or similar product sold/procured by the parties and their relevant subordinate entities to/from any third party.

Annual caps:

The annual caps under the General Sales Framework Agreement of the Company for the two years ending 31 December 2023 shall be as follows:

Year	Annual caps for the year ending 31 December <i>RMB'000</i>
2022 (from the date of the General Sales Framework Agreement to 31 December 2022)	300,000
2023	1,000,000

From the date of the General Sales Framework Agreement to 31 December 2022, the actual transaction amount under the General Sales Framework Agreement was RMB99,957,000.

The Company's independent non-executive Directors have reviewed each of the aforementioned continuing connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those under the transactions between the Company and independent third parties; and

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- (3) in accordance with the terms of the relevant agreements governing the transactions and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

The significant related party transactions set out in Note 36 to the consolidated financial statements (except for the income collection arrangement in relation to the toll income related trade receivables from Shandong Transport Department) which also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this report, during the Reporting Period, none of the connected transactions or continuing connected transactions of the Company shall be disclosed pursuant to the provisions in respect of connected transaction disclosure requirements under Chapter 14A of the Listing Rules.

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COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS

The Company has entered into with each of Qilu Transportation and COSCO SHIPPING (Hong Kong), the Non-Competition Agreement, under which each of Qilu Transportation and COSCO SHIPPING (Hong Kong), as our controlling shareholder, has undertaken that, save for the existing business of Qilu Transportation and COSCO SHIPPING (Hong Kong) as at 12 December 2017, it would not, in any way, directly or indirectly, procure a third party to engage in or otherwise participate in, any business that competes, or is likely to compete with the existing and future business which is engaged in or intended to be engaged in by the Company and its subsidiaries according to our business development (the “**Principal Businesses of the Company and its Subsidiaries**”).

The foregoing restrictions shall not apply to the following circumstances:

- (i) the acquisition or holding by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries for investment purpose of non-convertible bonds, or convertible bonds in relation to not more than 5.00% equity interests of other listed or non-listed companies which competes or is likely to compete with the Principal Businesses of the Company and its Subsidiaries;
- (ii) according to the Non-Competition Agreements, in the event that the Company decides not to take up the New Business Opportunity (as defined below), and Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries shall decide to take up the New Business Opportunity on its own;
- (iii) the engagement or participation by Qilu Transportation or COSCO SHIPPING (Hong Kong) in the investment, development, maintenance, operation and management of any expressways running within/through Shandong Province of the PRC, the establishment and operation of the advertisement billboards along the expressways under its operation and/or management, and the operation of other businesses in relation to toll roads in accordance with specific written approvals or instructions from the competent provincial government departments. However, Qilu Transportation or COSCO SHIPPING (Hong Kong) shall communicate with the Company before the issuance of such approval or instruction in order to minimise the impact of relevant projects on the Company. However, (i) if Qilu Transportation or COSCO SHIPPING (Hong Kong) has the autonomous right to select the execution entity of such projects covered by such approvals or instructions, such projects are still subject to the requirements under the Non-Competition Agreement; or (ii) if the projects covered by such approvals and instructions cause actual competition with or bring impact to the Principal Businesses of the Company and its Subsidiaries, Qilu Transportation or COSCO SHIPPING (Hong Kong) and the Company shall use the best efforts to procure the competent government authorities to fully consider the relevant factors before issuing such approvals or instructions; and

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- (iv) additional capital injection by Qilu Transportation or COSCO SHIPPING (Hong Kong) to their respective subsidiaries being involved in such businesses in accordance with the prevailing business development needs. However, if the additional capital will be used for business that competes or is likely to compete with the Principal Businesses of the Company and its Subsidiaries, such business shall still be subject to the Non-Competition Agreements.

OPTIONS FOR NEW BUSINESS OPPORTUNITIES

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken in the Non-Competition Agreements that during the term of the Non-Competition Agreements, if Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries becomes aware of any new business opportunity which will directly or indirectly compete or is likely to compete with the Principal Businesses of the Company and its Subsidiaries (the “**New Business Opportunity**”), Qilu Transportation or COSCO SHIPPING (Hong Kong) shall notify us in writing of the New Business Opportunity within ten working days after it becomes aware of the New Business Opportunity (the “**Offer Notice**”) and provide with us all required information about the New Business Opportunity, and use its best efforts to procure the New Business Opportunity to us or our subsidiaries on fair and reasonable terms and conditions. Our Group is entitled to decide whether or not to take up such New Business Opportunity in writing within ten working days or within a time period as otherwise agreed by the parties from receiving the Offer Notice. If so, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries must pass on the New Business Opportunity to us or our subsidiaries under the same terms and conditions.

OPTIONS FOR ACQUISITIONS

In relation to any New Business Opportunity referred to us by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries under the Non-Competition Agreements, if we decide not to take up such New Business Opportunity, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries may, subsequently take up such New Business Opportunity on its own.

PRE-EMPTIVE RIGHTS

In relation to any New Business Opportunity referred to us by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries under the Non-Competition Agreements, if the Company decides not to take up such New Business Opportunity, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries may, subsequently take up such New Business Opportunity on its own.

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken that, during the term of the Non-Competition Agreements, if they or any of their respective subsidiaries intend to transfer, sell, lease, license or otherwise transfer or permit to use (i) businesses or assets in the existing businesses of Qilu Transportation or COSCO SHIPPING (Hong Kong) which are the same as or similar to the Principal Businesses of the Company; or (ii) the above new business to a third party, it shall notify the Company by a written notice in advance.

For more details of the Non-Competition Agreements, please refer to the section headed “Relationship with Our Controlling Shareholders” in the Prospectus.

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THE RIGHTS AND OBLIGATIONS OF SHANDONG HI-SPEED GROUP ASSUMED FROM QILU TRANSPORTATION TO THE GROUP UPON JOINT RESTRUCTURING

Shandong Hi-Speed Group and Qilu Transportation entered into the Merger Agreement on 23 September 2020, pursuant to which, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interests or other interests in the subordinating companies held by Qilu Transportation were assumed by Shandong Hi-Speed Group upon completion of the Joint Restructuring by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group.

Therefore, the previous contractual rights and obligations of Qilu Transportation under the sub-sections headed “COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS”, “OPTIONS FOR NEW BUSINESS OPPORTUNITIES”, “OPTIONS FOR ACQUISITIONS” and “PRE EMPTIVE RIGHTS” in this section have been undertaken by Shandong Hi-Speed Group.

The Company has received confirmation notices issued by each of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong), confirming that they have complied with the Non-Competition Agreements for the year ended 31 December 2022, and made disclosure in this annual report. The independent non-executive Directors have also reviewed the compliance with and execution of the Non-Competition Agreements by Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) in accordance with such confirmation notices, and confirmed that they were not aware of any non-compliance of Shandong Hi-Speed Group and COSCO SHIPPING (Hong Kong) with the commitments made in the Non-Competition Agreements for the year ended 31 December 2022. For the year ended 31 December 2022, the Company has not been offered any New Business Opportunities.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB172,481,000. The remuneration for the Group’s 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 coverage. In general, the Group determines the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. The Group also provides our employees with continuing education and regular on-the-job training based on their job duties. As stipulated by the laws and regulations in the PRC, the Group contributes to the state-sponsored retirement scheme for its employee in the PRC (i.e. pension insurance). The Group’s employees make monthly contributions to the schemes 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 schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan (i.e. corporate annuity). All the employees are entitled to an additional pension each year aggregating to 10% of the previous year’s salaries.

Contributions made from the Company to the above retirement schemes are recognized as expenses when incurred and will not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

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The Company offers the executive Directors, employee representative Supervisors and senior management, who are also employees of the Company, emolument in the form of salaries, performance bonus, corporate annuity and other benefits. The non-executive Directors, independent non-executive Directors and shareholder representative Supervisors receive emolument, if any, based on their respective duties and responsibilities (including being members or chairman of Board committees).

SHARE CAPITAL

As at 31 December 2022, the total issued shares 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 as at 31 December 2022 was as follows:

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

Details of movements in the share capital of the Company during the Year are set out in Note 30 to the financial statements in this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would require the Company to offer new Shares to existing Shareholders in proportion to their shareholdings.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme.

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

As at 31 December 2022, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and senior management of the Company, 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 Shareholders	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 ^(Note 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 ^(Note 2)	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited ^(Note 2)	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	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. ^(Note 3)	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	Long position
China Merchants Group Limited ^(Note 3)	173,919,000	Interest in controlled corporation	H Shares	15.81%	8.70%	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. ^(Note 4)	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited ^(Note 4)	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Holdings Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

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Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage of the total issued share capital of the Company	Long position/ short position
Prudential plc ^(Note 5)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited ^(Note 6)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited ^(Note 6)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited ^(Note 6)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited ^(Note 6)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation ^(Note 6)	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Notes:

- 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.
- 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.
- 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. is 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.
- 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.

Report of the Board of Directors

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

Save as disclosed above, as at 31 December 2022, so far as is known to our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in the Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of 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

So far as is known to our Directors, as at 31 December 2022, none of our Directors, Supervisors or chief executives 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 or 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 Year, the Company did not repurchase, sell or redeem any of its Shares.

PUBLIC FLOAT

During the Reporting Period, according to the information available to the Company and to the knowledge of the Directors, the public float of the Company is not less than 25%, complying with the relevant regulations of Rules 8.08 and 13.32 of the Listing Rules.

Report of the Board of Directors

DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors of the Company include:

Executive Directors

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

Mr. Peng Hui

Mr. Liu Qiang

Non-Executive Directors

Mr. Chen Dalong

Mr. Wang Shaochen

Mr. Zhou Cenyu

Mr. Su Xiaodong

Ms. Kong Xia

Mr. Du Zhongming

Mr. Tang Haolai (*Resigned as a non-executive Director on 20 January 2022*)

Mr. Shi Jinglei (*Appointed as a non-executive Director on 11 March 2022*)

Independent Non-Executive Directors

Mr. Cheng Xuezhao

Mr. Li Hua

Mr. Wang Lingfang

Mr. He Jiale

Mr. Han Ping

Shareholder Representative Supervisors

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

Mr. Zhang Yin

Mr. Wu Yongfu

Employee Supervisors

Mr. Wang Shun

Mr. Hao Dehong

Ms. Hou Qinghong

Independent Supervisors

Mr. Li Ruzhi

Mr. Meng Qinghui

Report of the Board of Directors

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 appointed as a non-executive Director of the Company on 11 March 2022 upon consideration and approval at 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 of the Company 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.

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 labour 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 a 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 during the Reporting Period.

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

There was no change of directors, supervisors and senior management of the Group after the Reporting Period and up to the date of this report.

Report of the Board of Directors

CHANGES IN 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, and resigned as a director of Smart Watch Assets Limited, Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. (held by COSCO SHIPPING Industry & Trade as to 49.00%) and a director of Tianjin Expressway Maintenance Company Limited (held by Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. as to 55.00%), as well as chairman of the board of directors of the following companies: (i) Hebei Jixing Expressway Co., Ltd.; (ii) Tianjin Tianyu Expressway Co., Ltd.; (iii) Tianjin Tian'ang Expressway Co., Ltd.; (iv) Tianjin Tianxu Expressway Co., Ltd.; (v) Tianjin Tianda Expressway Co., Ltd.; (vi) Tianjin Tianwei Expressway Co., Ltd.; (vii) Tianjin Tianduo Expressway Co., Ltd.; (viii) Tianjin Tianfu Expressway Co., Ltd.; (ix) Tianjin Tianyong Expressway Co., Ltd.; and (x) Tianjin Tianxian Expressway Co., Ltd. (Smart Watch Assets Limited is a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) and the parent company of companies (i) to (x)) on 19 October 2022 and vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司), and the vice chairman of the board of directors of Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000096.SZ) on 19 August 2022.

Mr. Su Xiaodong has served as the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司) since 16 December 2022.

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 and ceased to serve as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Expressway Minsheng Group Co., Ltd. since 29 November 2022.

On 28 June 2022, Mr. He Jiale resigned as an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (a company listed on the Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039.SZ).

Ms. Meng Xin has resigned as the assistant to president and general manager of the finance department of COSCO SHIPPING (Hong Kong) in July 2022, and served as the Chief Accountant of COSCO SHIPPING Hong Kong and COSCO SHIPPING International since July 2022, and served as an executive director of COSCO SHIPPING International since 24 November 2022. Ms. Meng has served as the chairman of Quanzhou Jinjiang COSCO Development Co., Ltd. since 26 July 2022 and a director of Luzhou Laojiao International Development (Hongkong) Co., Limited since 1 September 2022. Ms. Meng has resigned as a director of COSCO Treasury Company Limited (held as to 100% by COSCO SHIPPING), Great Victory Holdings Ltd. (held as to 100% by COSCO SHIPPING) and Peaktrade Investments Limited (held as to 100% by COSCO SHIPPING) on 22 November 2022. She has resigned as a director of Smart Watch Assets Limited on 19 October 2022, and resigned as a director of Tianjin Tianyu Expressway Co., Ltd., Tianjin Tian'ang Expressway Co., Ltd., Tianjin Tianda Expressway Co., Ltd., and Tianjin Tianwei Expressway Co., Ltd., Tianjin Tianduo Expressway Co., Ltd. on 18 November 2022, and resigned as a director of Tianjin Tianxu Expressway Co., Ltd., Tianjin Tianfu Expressway Co., Ltd., Tianjin Tianyong Expressway Co., Ltd. and Tianjin Tianxian Expressway Co., Ltd. on 21 December 2022. Ms. Meng has served as vice chairman of Hebei Jingshi Expressway Development Co., Ltd. since 29 December 2022.

Mr. Wu Yongfu ceased to serve as the head of the Finance and Ownership Department of Guoneng Power Technology & Engineering Co., Ltd. since 16 August 2022 and has been appointed as the deputy director at the engineering and construction center of Guoneng Power Technology & Engineering Co., Ltd..

Report of the Board of Directors

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.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All current Directors have entered into service contracts with the Company for a term of three years commencing from the date of the approval on appointment by Shareholders and shall be terminated pursuant to relevant terms of respective contracts.

As at the date of this annual report, other than statutory compensation, none of the Directors and Supervisors of the Company had entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation.

INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

During the relevant period, none of the Directors or Supervisors was materially interested, directly or indirectly, in any contracts of significance entered into with the Company or its controlling companies or its subsidiaries or subsidiaries of its controlling companies subsisting as at the end of the Year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESSES COMPETING WITH THE COMPANY

The table below summarised the positions concurrently held by the Directors and Supervisors in road operation companies of the controlling shareholders and/or their associates (other than the Company):

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the date of this annual report
Su Xiaodong (蘇曉東)/ Non-executive Director	Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong); as well as director of the following companies: (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); (iii) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (iv) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (v) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (vi) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vii) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (viii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (ix) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (x) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (xi) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xii) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) (Smart Watch Assets Limited is the holding company of the above companies (i) to (xii))

Report of the Board of Directors

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the controlling shareholders and/or their associates (other than the Company) as at the date of this annual report
Zhou Cenyu (周岑昱)/ Non-executive Director	Secretary of the party general branch and chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) (formerly known as Qilu Transportation and Logistics Development Company Limited (齊魯交通物流發展有限公司)) and the director of Shandong Hi-speed Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司)
Kong Xia (孔霞)/ Non-executive Director	Deputy head of the organization department of the party committee (party committee of the head office) of Shandong Hi-Speed Group
Meng Xin (孟昕)/Chairperson of the Supervisory Committee	Director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited; executive director of COSCO SHIPPING International; director of Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); and vice chairman of Hebei Jingshi Expressway Development Co., Ltd.
Zhang Yin (張引)/Shareholder Representative Supervisor	Director of the project development and capital operation centre of Shandong Hi-Speed Group

Set out below are the changes in the directorship, supervisorship, senior management or other positions held by the Directors and Supervisors with the road operating company (other than the Company) of the controlling shareholders and/or their associates during the Reporting Period:

Name/Positions held with the Company	Change of directorship, supervisorship, senior management or other positions held with the road operating company (other than the Company) of the controlling shareholders and/or their associates during the Reporting Period
Chen Dalong (陳大龍)/ Vice chairman of the Board, Non-executive Director	Resigned as a director of Smart Watch Assets Limited, Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. (held by COSCO SHIPPING Industry & Trade as to 49.00%) and a director of Tianjin Expressway Maintenance Company Limited (held by Freetech Intelligent Road Regeneration Engineering Investment Co., Ltd. as to 55.00%), as well as chairman of the board of directors of the following companies: (i) Hebei Jixing Expressway Co., Ltd.; (ii) Tianjin Tianyu Expressway Co., Ltd.; (iii) Tianjin Tian'ang Expressway Co., Ltd.; (iv) Tianjin Tianxu Expressway Co., Ltd.; (v) Tianjin Tianda Expressway Co., Ltd.; (vi) Tianjin Tianwei Expressway Co., Ltd.; (vii) Tianjin Tianduo Expressway Co., Ltd.; (viii) Tianjin Tianfu Expressway Co., Ltd.; (ix) Tianjin Tianyong Expressway Co., Ltd.; and (x) Tianjin Tianxian Expressway Co., Ltd. (Smart Watch Assets Limited is a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) and the parent company of companies (i) to (x)) on 19 October 2022

Report of the Board of Directors

Name/Positions held with the Company	Change of directorship, supervisorship, senior management or other positions held with the road operating company (other than the Company) of the controlling shareholders and/or their associates during the Reporting Period
Zhou Cenyu (周岑昱)/ Non-executive Director	Appointed as a director of Shandong Hi-speed Quanyin Supply Chain Management Co., Ltd. on 12 July 2022 and ceased to serve as the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Expressway Minsheng Group Co., Ltd. since 29 November 2022
Meng Xin (孟昕)/ Chairperson of the Supervisory Committee	Resigned as assistant to president and general manager of the finance department of COSCO SHIPPING (Hong Kong) on 11 July 2022, and served as the Chief Accountant of COSCO SHIPPING Hong Kong and COSCO SHIPPING International since 11 July 2022, and resigned as a director of COSCO Treasury Company Limited (held as to 100% by COSCO SHIPPING), Great Victory Holdings Ltd. (held as to 100% by COSCO SHIPPING) on 22 November 2022 and Peaktrade Investments Limited (held as to 100% by COSCO SHIPPING). She has resigned as a director of Smart Watch Assets Limited on 19 October 2022, and resigned as a director of Tianjin Tianyu Expressway Co., Ltd., Tianjin Tian'ang Expressway Co., Ltd., Tianjin Tianda Expressway Co., Ltd., Tianjin Tianwei Expressway Co., Ltd., and Tianjin Tianduo Expressway Co., Ltd. on 18 November 2022, and resigned as a director of Tianjin Tianxu Expressway Co., Ltd., Tianjin Tianfu Expressway Co., Ltd., Tianjin Tianyong Expressway Co., Ltd. and Tianjin Tianxian Expressway Co., Ltd. on 21 December 2022, and served as vice chairman of Hebei Jingshi Expressway Development Co., Ltd. since 29 December 2022

Save as disclosed above, as at the date of this report, none of the Directors or Supervisors of the Company holds any interest in business other than the businesses of the Group which directly or indirectly competes or is likely to compete with the business of the Group.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of the Directors and Supervisors is determined by the Remuneration and Appraisal Committee by making reference to the remuneration paid by comparable companies and time commitments and duties of the Directors and Supervisors.

Details of remuneration of the Directors, Supervisors and the five highest paid individuals of the Company during the Year are set out in Notes 8 and 9 to the financial statements in this report.

Report of the Board of Directors

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into any contract with respect to the management or administration of all or any substantial part of our businesses.

PERMITTED INDEMNITY PROVISION

During the Year, the Company has purchased liability insurance valid for the Year for Directors, Supervisors and senior management of the Company.

THE BOARD AND BOARD COMMITTEES

Details of the Board and Board committees are set out in the sub-section headed “Corporate Governance Report – The Board” in this report, and the contents therein form a part of this Report of the Board of Directors.

MATERIAL LITIGATION AND ARBITRATION

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code.

Details of the convening of meetings of the Audit Committee are set out in the sub-section headed “Corporate Governance Report – The Board – Audit Committee” in this report, and the contents therein form a part of this Report of the Board of Directors.

Report of the Board of Directors

AUDITORS

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young. The domestic and international auditors of the Company, Ernst & Young Hua Ming LLP and Ernst & Young, will retire at the 2022 AGM. After obtaining the recommendation from the Audit Committee, the Board has resolved to propose the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor and international auditor of the Company for 2023, respectively. The proposed appointment is subject to Shareholders' approval at the 2022 AGM. The term of service of Ernst & Young Hua Ming LLP and Ernst & Young is proposed to commence from the date of Shareholders' approval at the 2022 AGM until the conclusion of the next annual general meeting of the Company.

The domestic and international auditors of the Company, namely PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers, have retired at the conclusion of the 2018 annual general meeting of the Company held on 10 June 2019; Ernst & Young Hua Ming LLP and Ernst & Young were appointed as the domestic and international auditors of the Company at the general meeting on the same day. For details, please refer to the announcement and circular dated 21 March 2019 and 24 April 2019 of the Company, respectively.

Save as disclosed above, the auditors of the Company have not been changed in the last three years.

BUSINESS REVIEW

Details of the business review are set out in the sub-section headed "Management Discussion and Analysis – Business Review" in this report, and the contents therein form a part of this Report of the Board of Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

The Company has included the full text of the environmental, social and governance report 2022 in this annual report in accordance with the requirements of Appendix 27 of the Listing Rules, and the contents therein form a part of this Report of the Board of Directors.

EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event after the Reporting Period.

By order of the Board

Wang Zhenjiang

Chairman

Shandong, the People's Republic of China
24 March 2023

Work Report of the Supervisory Committee

In 2022, the supervisory committee (hereinafter referred to as the “**Supervisory Committee**”) of Qilu Expressway Company Limited (hereinafter referred to as the “**Company**”), has held meetings of the Supervisory Committee as scheduled, attended Board meetings and general meetings according to laws, and supervised the duty performance of the Directors and senior management personnel of the Company as well as the production and operation condition, decision-making procedures, legality of operations, financial conditions and management of internal control standards in an effective manner, in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules**”), the articles of association of Qilu Expressway Company Limited (hereinafter referred to as the “**Articles of Association**”), the rules of procedures for the supervisory committee of Qilu Expressway Company Limited (hereinafter referred to as the “**Rules of Procedures for the Supervisory Committee**”) and the requirements of other applicable laws and regulations. Based on the principle of good faith, all members of the Supervisory Committee faithfully performed their supervisory duties, actively and prudently carried out their work, and promptly discussed issues identified to safeguard the interests of shareholders and the Company.

We hereby report the major work of the Supervisory Committee for 2022 as follows:

I. CONVENTION OF MEETINGS OF THE SUPERVISORY COMMITTEE FOR THE YEAR

The Supervisory Committee held two meetings in total for the year. All resolutions have been unanimously approved and considered by all supervisors. The details of the meetings are as follows:

1. The sixth meeting of the second session of the Supervisory Committee was held on 30 March 2022, at which, the Resolution on 2021 Work Report of the Supervisory Committee, the Resolution on 2021 Profit Distribution and Dividend Distribution Plan, the Resolution on 2021 Final Financial Report, the Resolution on the 2022 Financial Budget Plan, the Resolution on the 2021 Internal Control Valuation Report, the Resolution in Relation to the Letter to Auditor on Audit of the Management Statement for the Company’s 2021 Financial Statements, the Resolution on the 2021 Audited Financial Statements and Auditor’s Report of the Company, the Resolution in Relation to the Report on 2021 Related Party Transactions and Continuing Connected Transactions of the Company and the Resolution on the 2021 Annual Report of the Company were considered and approved;
2. The seventh meeting of the second session of the Supervisory Committee was held on 30 August 2022, at which, the Resolution on the 2022 Unaudited Interim Financial Statements of the Company was considered and approved.

II. BASIC EVALUATION ON THE COMPANY’S MANAGEMENT AND OPERATION BEHAVIOR AND RESULTS FOR THE YEAR

In 2022, the Company closely focused on the annual goals and tasks, accomplished the production and operation plan it formulated and has achieved sound results of operation as well as the production and operation activities of the Company have been effectively supervised. The Supervisory Committee believes that the management of the Company has earnestly implemented the resolutions proposed at the general meetings and the Board meetings. No non-compliance act was found in the operations.

Work Report of the Supervisory Committee

III. THE SUPERVISORY COMMITTEE'S VERIFICATION OPINIONS ON THE COMPANY'S RELEVANT MATTERS

1. Compliance of the Company's operation

In 2022, the Company was able to manage and operate according to laws, the decision-making process was legal, the content system was sound, and the resolutions of the Board and the general meetings met the requirements of relevant regulations and were effectively implemented. The Supervisory Committee carefully supervised and inspected the convening procedures of the meetings of the Board and general meetings, decision-making matters, and the signing of the resolutions of the meeting, and effectively supervised the operation, management and decision-making execution of the directors and senior managers throughout the process. The Supervisory Committee believed that the Company had operated according to laws, and exercised rationality in arriving major decision-makings based on compliant and legitimate procedures and regulated operation in 2022.

2. Inspection of the Company's financial conditions and independent opinions on annual report

The Supervisory Committee has conducted a prudent review on the Company's financial report, which gives a true and complete picture of the Company's financial conditions and results of operation, and the opinion given in the auditor's report is fair and objective. The Company prepared the 2022 Annual Report in compliance with laws, regulations and the provisions of the Articles of Association of the Company, which is true, accurate and complete, without false records, misleading statements or material omissions.

3. Internal control of the Company

The Supervisory Committee believed that the Company had a complete internal control structure, the assessment report has complied with the requirements of relevant laws, regulations and regulatory documents in content and form. During the assessing period, the Company has established internal control over, and continuously improved, the business matters to be included into the scope of assessment with the launch of new businesses, and have maintained effective internal control in all material aspects under the requirements of the internal control regulatory system and relevant regulations, which achieved the purpose of the Company's internal control with no significant defects.

4. Acquisitions and disposals of major assets and external investments

In 2022, the Supervisory Committee supervised and verified the material disposals and acquisitions of assets and external investment of the Company during the year, and no inside transactions that are detrimental to the interests of the Company and shareholders or lead to loss of the Company's assets were identified in the acquisitions and disposals of major assets, investments and other matters.

Work Report of the Supervisory Committee

5. Supervision and verification of connected transactions

The Supervisory Committee has supervised and verified the connected transactions (including continuing connected transactions) of the Company for the year, which had been carried out in strict accordance with relevant regulations. The counterparties, terms of transaction, trading amount, basis of pricing and payment method of such connected transactions complied with the requirements of relevant laws and regulations. No connected transactions that are unfair or detrimental to the interests of the Company and shareholders were identified.

6. Evaluation on the behavior and performance of the Board and senior management

The Supervisory Committee believes that the Directors and senior management of the Company are able to operate business in accordance with the Company Law, the Articles of Association and the requirements of other applicable laws and regulations, and that they have earnestly performed the resolutions passed and policies formulated by shareholders at general meetings and the Board, and faithfully fulfilled their duty of good faith. Upon supervision and verification, the Supervisory Committee believes that the Directors and senior management of the Company have conscientiously performed their duties by making democratic decisions and managing in a scientific manner with clear targets, and there were no circumstances in violation of the Company Law, the Articles of Association and other applicable laws and regulations, nor any act that is detrimental to the rights or interests of the Company or its shareholders was identified.

In 2023, the Supervisory Committee will actively and effectively carry out various supervisory and deliberative activities by strictly performing the functions and powers conferred on them by the Company Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, and in the principle of safeguarding the interests of the Company and all its shareholders. The Supervisory Committee will continue to improve the working mechanism and operating mechanism of the Supervisory Committee to promote regulation and efficiency of the work of the Supervisory Committee; enhance daily supervision and the supervision efficiency, conscientiously execute various inspections, reviews and supervisions, and put forward suggestions; strengthen internal learning, research and training, and promote self-improvement; and diligently assume the responsibility of safeguarding the rights and interests of shareholders to promote the healthy and stable development of the Company.

By order of the Supervisory Committee

Xin Meng

Chairman

Shandong, the People's Republic of China

24 March 2023

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the fifth Environmental, Social and Governance Report issued by Qilu Expressway Company Limited. This report mainly introduces the Company's efforts and contributions at environmental, social and governance levels during the year. We wish to strengthen the communication and engagement with stakeholders through this report.

The Board and all Directors of the Company warrant that there are no false representations, misleading statements or material omissions in this report, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents herein.

Time Scope

The reporting period was from 1 January 2022 to 31 December 2022, with certain contents beyond this timeframe.

Scope of Subject Organizations

For convenience of expression and for easier reading, in this report, "Qilu Expressway Company Limited" is referred to as "Qilu Expressway", the "Company" and "we", "our" or "us".

In this report, "Shandong Gangtong Construction Co., Ltd." is referred to as "Gangtong Co." and "Gangtong", "Jinan Xinyue New Road Material Research and Development Co., Ltd." is referred to as "Xinyue", and "Shandong Shunguang Industrial Development Company Limited" is referred to as "Shunguang Company" and "Shunguang". Unless otherwise specifically indicated, the qualitative and quantitative information disclosed in this report covers Qilu Expressway and four of its wholly-owned subsidiaries.

Environmental, Social and Governance Report

Release Cycle

The Environmental, Social and Governance Report of the Qilu Expressway Company Limited is released on an annual basis, the last issue of which is the 2021 Environmental, Social and Governance Report.

PREPARATION STANDARDS

This report has been prepared in accordance with the requirements of Appendix 27 “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The core proposals under the GRI Sustainability Reporting Standards (GRI Chinese Version) issued by Global Reporting Initiative.

Notes on Data

The data quoted in this report are derived from the official documents, statistical reports and financial reports, etc. of the Company, and are reviewed by the Company.

Contact

The Chinese and English versions of this report can be downloaded from the website of the Stock Exchange at <http://www.hkexnews.hk>. This report is published in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

Website: <http://www.qlecl.com/>

Environmental, Social and Governance Report

CHAPTER I TAMPING FOUNDATION TO PROMOTE DEVELOPMENT

1. ESG Governance

1.1 *Our ESG concept*

The basic social responsibility of the Company is to provide the public with safe, rapid, economical and comfortable transportation services and effectively facilitate the regional integration and promote social and economic development. Additionally, while focusing on economic benefits, the Company also pays attention to the environmental and social impacts in the course of operation and pays respects to the interests of internal and external stakeholders, and incorporates environmental, social and governance (ESG) concepts into each link of business operation to achieve sustainable development of the Company.

Recognizing the value of incorporating ESG concepts into business strategies and daily operation, the Company always regards ESG systems and sustainability targets as the cornerstone for promoting corporate governance. In the future, the Company will optimize internal governance mechanism adhering to the goal of ecological priority and green development and the concept of service with consistent quality and people-orientation, and head towards a sound situation for sustainable development and make continuous contribution to the society.

1.2 *ESG management structure*

The securities investment department is responsible for arranging the preparation of the annual ESG report, and the vice president and secretary to the Board of the Company manages the preparation of the ESG report as a whole. Members of the ESG preparation work group comprises personnel selected from each department and subordinated unit of the headquarters each year. The 2022 ESG report group comprises 18 members, including the head officer and the line manager of the securities investment department.

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1.3 ESG issues assessment

In order to understand the impact of different sustainability issues on the stakeholders and the Company, in 2022, based on ESG issues in the previous years, we conducted an annual survey analysis on the importance of sustainability issues together with internal and external stakeholders of the Company. In communication with relevant parties concerned, we select communication issues to find areas for improvement. We collect feedback information by collecting questionnaires, email feedback, on-site interviews or telephone interviews and otherwise.

In order to ensure the substance of the issues in the 2022 ESG report, we adopted the following steps for issue selection:

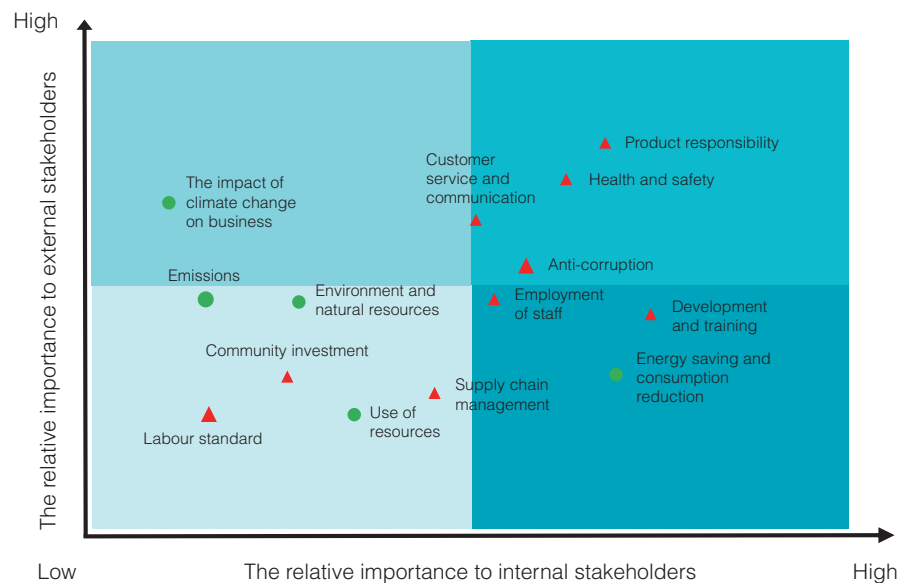


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1.4 Materiality matrix of issues

The Company maintains close contact with stakeholders through various effective methods, such as e-mail, interview, telephone, conference, questionnaire, training, holding stakeholder meeting and company information disclosure, to understand their expectations and suggestions in a timely manner. We understand that compared to the year 2021, some stakeholders have become more concerned about climate change and energy conservation and consumption reduction. Based on the communication results of major stakeholder representatives, we analyzed and summarized the materiality matrix of ESG issues of the Company in 2022 (the diagram below), which will be disclosed in detail with reference to the materiality assessment matrix in this report.

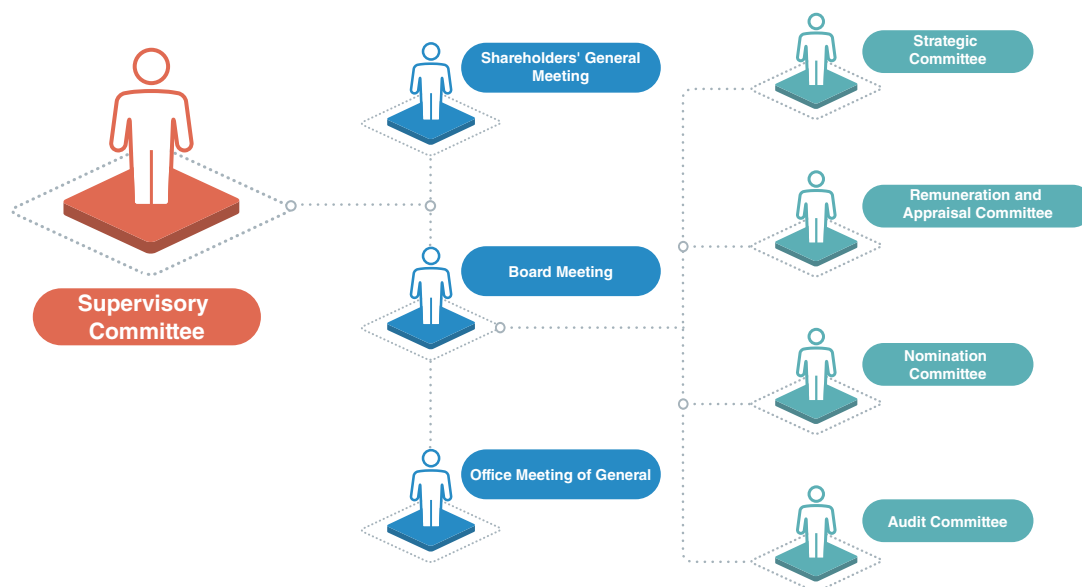
No.	Environmental Issues	No.	Social Issues	No.	Social Issues
1	Emissions	1	Labour standard	6	Product responsibility
2	Use of resources	2	Community investment	7	Health and safety
3	Environment and natural resources	3	Supply chain management	8	Development and training
4	Energy saving and consumption reducing	4	Anti-corruption	9	Employment of staff
5	The impact of climate change on business	5	Customer service and communication		



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2. Corporate Governance

2.1 Governance structure



Corporate Governance Structure

Managing enterprises according to law Qilu Expressway has been improving its corporate governance system in strict accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and relevant laws and regulations, regulatory documents and the Articles of Association, and formed a corporate governance mechanism with statutory powers, transparent rights and responsibilities of shareholders' meetings, party committee, board of directors, managers and supervisory committee with coordinated operation and effective balances. In 2022, the Rules of Procedures of the Board and the Rules of Procedures of the Supervisory Committee of the Company were revised, and self-inspection of special actions on the governance of listed companies was carried out and rectified actively and completely, which further regulated the Company's operation.

Standardizing the construction of the Board In 2022, the Company convened 1 annual general meeting and 3 extraordinary general meetings, at which the resolutions were reviewed and approved. The Company convened 14 Board meetings in total, at which the candidate to non-executive directors of the Company, the chief safety officer of the Company, 2021 work report of the Board, 2021 financial final report, the performance of the Company's policy on corporate governance, outline during the "14th Five-year Plan" period of Qilu Expressway Company Limited and other proposals of significance were considered. Two meetings of the Supervisory Committee were convened, and the Proposal on the Work Report of the Supervisory Committee in 2021, the Proposal on the Profit Distribution and Dividend Distribution Plan in 2021, 2021 Financial Final Report, Unaudited Interim Financial Report in 2022 of the Company and other proposals of significance were reviewed and approved.

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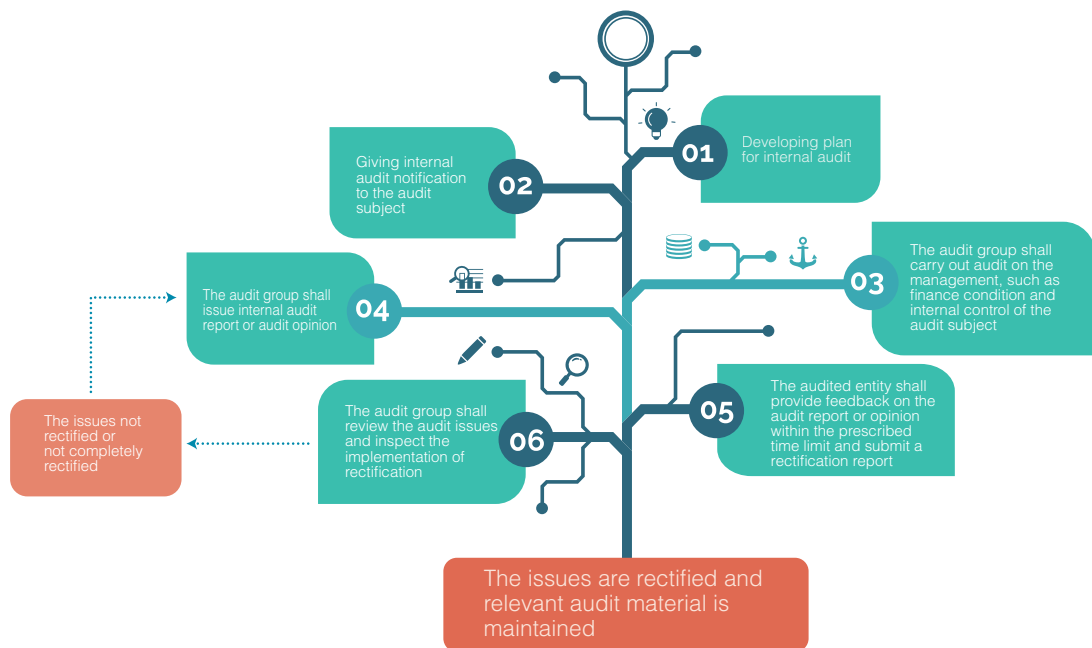
2.2 Compliance management

Strengthening information disclosure The Company has performed information disclosure obligations in strict accordance with relevant requirements of the Guidelines for Compliance Management of Central Enterprises (Trial) 《中央企業合規管理指引(試行)》 and the Management Measures for Information Disclosure of Listed Companies, which guaranteed the truthfulness, accuracy, completeness of information. The information disclosure is fair and on time, without false record, misleading statement or material omission. In 2022, the Company published 69 announcements in total.

Strengthening the building of the rule of law system Guided by Xi Jinping Thought on the rule of law, the Company further promoted the construction of the rule “governing state-owned enterprises with law”, strictly implemented the responsibilities as the first responsible person for the construction of the rule, organized the implementation of the “Eighth Five (八五)” general law plan, convened the annual work conference on rule of law and the fourth training course for legal compliance, and carried out the annual assessment of the Company’s system to manage enterprises according to law. The Company issued the appraisal measures for the Quality, Environment and Occupational Health and Safety Management System to improve internal management and management level, and organized all employees to make commitments on safety compliance. The Company added or revised a number of systems during the reporting period to improve the rules and regulations system.

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Enhancing internal control The Company’s internal control manual was gradually established and improved through continuous revision of the Company’s internal control manual, and the supervision control mechanism between positions was established through process control, which scientifically reduced the management risk. Through the regular implementation of necessary internal control supervision, being applying internal audit, economic responsibility audit and project audit and other methods, the Company always looks for the shortcomings and loopholes in internal control and operation management in business management, puts forward reasonable rectification advice and supervises the implementation of rectification by the responsible unit within a time limit.



Internal Control Process of the Company

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2.3 Integrity

Integrity system establishment

The Company has been improving its integrity system and strictly implementing work style construction by improving the awareness on honest business of staff from management level to entry level. The Company strictly complies with the laws and regulations, such as the Supervision Law 《監察法》, the Rules for the Supervision and Disciplinary Enforcement Work by Disciplinary Inspection Organs 《紀律檢查機關監督執紀工作規則》, and the Public Employee Sanctions Law 《政務處分法》. In 2022, there were no violations that had a material impact on the Company in terms of anti-corruption.

The Company issued successively various anti-corruption policies and systems, including the CPC Committee Integrity Communication System of Qilu Expressway Company Limited 《中共齊魯高速公路股份有限公司委員會廉政談話制度》, the Disciplinary Inspection and Recommendation System of Qilu Expressway Company Limited 《齊魯高速公路股份有限公司紀律檢查建議制度》, the “First Topic” System for Meetings of Disciplinary Inspection Committee of Qilu Expressway Company Limited 《中共齊魯高速公路股份有限公司紀律檢查委員會紀委會議“第一議題”制度》 and the Centralized Study System of CPC Disciplinary Inspection Committee of Qilu Expressway Company Limited 《中共齊魯高速公路股份有限公司紀委集中學習制度》, which enhanced the integrated and strict management of the party, the building of party style and clean government, and the struggle against corruption, further enhanced the political and theoretical quality of Disciplinary Inspection Committee members, strengthened the level of supervision responsibility of the Disciplinary Inspection Committee and promoted the normalized, standardized and institutionalized study and education of the committee.

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In respect of regulating power execution and control, the Disciplinary Inspection Committee office divided its powers into the following: the right to deal with problem clues, the right to inspection, the right to enforce discipline and review, the right to reply to opinions on party style and integrity, the right to hear cases, the right to accept complaints, and the right to make disciplinary inspection suggestions. Each office performs its own duties and responsibilities to strengthen the prevention and control of integrity risks.

Discipline execution and review acceptance	Head office of the Disciplinary Inspection Commission	Secretary of the Discipline Inspection Commission	Secretary of the party committee
<ul style="list-style-type: none"> • Content review: draft and establish review proposal, including reviewing talk proposal, external survey proposal, disposal opinion and the group composition programme • Basis of approval: Articles 2 and 6 of the Rules for Supervising Discipline Enforcement of the Discipline Inspection Commission and Ombudsman Office of Group Companies (Lu Expressway Ji [2020] No. 2) • Approval time limit: 1 work day 	<ul style="list-style-type: none"> • Content review: review the proposal • Basis of approval: Articles 2 and 6 of the Rules for Supervising Discipline Enforcement of the Discipline Inspection Commission and Ombudsman Office of Group Companies (Lu Expressway Ji [2020] No. 2) • Approval time limit: 1 work day 	<ul style="list-style-type: none"> • Content review: review the proposal • Basis of approval: Articles 2 and 6 of the Rules for Supervising Discipline Enforcement of the Discipline Inspection Commission and Ombudsman Office of Group Companies (Lu Expressway Ji [2020] No. 2) • Approval time limit: 1 work day 	<ul style="list-style-type: none"> • Content review: the review proposal for middle-level members directly managed by the party committee of the Company should be approved by the secretary of the party committee • Basis of approval: Articles 2 and 6 of the Rules for Supervising Discipline Enforcement of the Discipline Inspection Commission and Ombudsman Office of Group Companies (Lu Expressway Ji [2020] No. 2) • Approval time limit: 3 work days

Operating Process of Discipline Execution of the Disciplinary Inspection Committee

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Carrying out integrity education

The Company consistently implemented the spirit of General Secretary Xi Jinping's important exposition on administering the party in a comprehensive and strict manner and the decision-making and deployment of the Central Party Committee, strengthened the construction of a clean culture in the new era, and further strengthened the ideology of resisting corruption and preventing degeneration. In 2022, the Disciplinary Inspection Committee of the Company organized a series of integrity education and anti-corruption training. The specific training data are as follows: 50 employees received training on the Party's discipline and regulations, 85 and 72 employees received integrity education and training organized by Jihe Operation and Management Centre and Deshen Operation and Management Centre, respectively, and 23 employees received integrity education and training organized by Gangtong Co.. The total duration of anti-corruption education was 20 hours, 230 employees participated in anti-corruption education, 20 senior management personnel participated in anti-corruption, and duration of anti-corruption education for senior management personnel was 10 hours in total. The Company also organized the viewing of educational films on anti-corruption such as "The Alarm Bell Rings Long" 《警鐘長鳴》 and "Zero Tolerance – Always on the Way".



Training on Integrity Education organised by the Company

Integrity reporting procedures

While vigorously carrying out integrity system construction and anti-corruption training, the Company attaches importance to improving integrity reporting procedures and supports all anti-internal corruption, personal fraud, dereliction of duty and other behaviors. The Office of the Company's Disciplinary Inspection Committee has set up a notification board for whistleblowing on integrity, publicizing the telephone number, QR code, email address and correspondence address for reporting, while ensuring the confidentiality of the identity of the whistleblower. The Office of the Disciplinary Inspection Committee designates subordinate departments to review the effectiveness of whistleblowing procedures on a regular basis. The integrity report hotline: 0531-87207051, e-mail address: qlgsgfjw@163.com, address: Room 2311, Building A3-4, Hanyu Jingu, Long'ao North Road, High-tech Zone, Jinan City, postal code: 250101.

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CHAPTER II INTELLIGENCE TRAVEL CONNECTION TOWARDS THE FUTURE

Adhering to the corporate culture of “Smart and Beauty of Qilu”, Qilu Expressway is the representative of intelligent, smooth, safe, comfortable and harmonious expressway, and pursues high-quality sustainable development. The Company attaches great importance to the quality and safety of products and services, and strives to ensure the safe operation and customer service quality of expressways. The 24-hour service hotline of Qilu Expressway is as follows:

Corporate: 0531-87367988

Jihe Operation and Management Centre: 0531-87367878

Deshen Operation and Management Centre: 0635-722011

1. Customer Service

1.1 Consistency in service quality

The Company adheres to the concept of service first, sincerely serves public customers, and strives to build a high-speed exquisite service brand in Qilu Expressway. On 8 March 2022, the Company formulated the Measures for Managing the Toll Rate (Trial) of Qilu Expressway Company Limited to regulate the service quality of operation to include service quality into training and performance appraisal of relevant staff, and further deepen the management of service quality. In 2022, the Company enhanced the “smile service”, which requires the toll collector to maintain a sincere, cordial, natural and hearty smile during the service process, so as to narrow the psychological distance with the driver and passengers with nods and eye contact. The service also regulated toll collection behaviours such as greetings, passing on cards and tickets, which effectively improved the service efficiency of toll collectors; and strengthened epidemic prevention and control to create “safe” toll stations by strengthening the cleaning and disinfection of traffic media and working environment, so as to provide a safe passage environment for drivers and passengers. The Company strengthened convenience services and built “convenience” service stations, which provide drivers and passengers with free hot water, first-aid bandaging medicines, car repair tools, etc.. Meanwhile, in order to promote the standardized management of toll stations, improve the service level of toll stations, deeply implement the corporate mission of “smart travel for a better future (智行美好未來)”, and build a smart, smooth and safe, comfortable and harmonious high-speed. The Company carried out the selection of demonstration benchmark toll stations. Pingyin toll station of Jihe Operation and Management Centre and Liaocheng South toll station of Liaocheng Deshen Operation and Management Centre were awarded the honorary title of “demonstration benchmark toll station (示範標桿收費站)”.



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Case: Rose Girls Squadron at Pingyin Toll Station of Jihe Operation Management Centre

The members of the Pingyin Toll Station Rose Girls Squadron are about 22 years old on average. They take the name of Jinan municipal flower “Rose”, which closely combines the rose quality symbolizing sincerity and enthusiasm with the service concept of high-speed guard booth window, and greeting visitors from all regions with warm and thoughtful service and bright sunny smiles every day, which improved the popularity of the Rose Girls Squadron. Since the establishment of the Rose Girls Squadron, Pingyin Toll Station has been focusing on the standardization and regulation of window civilization construction, practicing the connotation of “smile service” by integrating standards into habits and promoting models with habits, with an aim to creating a high-quality, professional and excellent service toll team and the commitment to providing high-quality travel services for the public.



Meanwhile, the Company carried out customer satisfaction surveys mainly in the form of online QR code scanning questionnaires, which take charging facilities, order in toll station areas, appearance and service attitude of toll collectors and customer suggestions as survey indicators. Each toll station conducts a satisfaction survey once a quarter, makes comprehensive investigation on the satisfaction of drivers and passengers, and solicits constructive opinions and suggestions, as such the customer satisfaction can reach above 96%.

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1.2 *Customer complaint*

The Company attaches great importance to handling customer complaints, and sets up a complaint channel, and a for-profit public column at each toll station to publicize the term and standard of charge service, as well as the telephone number for consultation and complaint. In accordance with the Measures for Processing Complaints about Charge Service of Qilu Expressway Company Limited, such information as the complaint's name, license plate number, content of the complaint, the occurring process, problems to be solved and contact information should be recorded. Such information will subsequently be forwarded to relevant operation and management centre based on the unit subject to complaint, and requires a 1-3 business days reply of the centre to seek for satisfaction of the complainant, at the same time the Complaint Processing Form on Charge Service is generated. If the complaint is from superior unit, it should be reported in writing to the superior within a time limit upon processing. It is the Company's strict requirement that whether or not the vehicle owner makes a complaint in person, letter, telephone, fax, email or in other forms, the assignee should receive (or accept) it carefully and earnestly, rather than shirking responsibility or rudely refusing for any reason, and should carry out detailed registration, investigation, verification and record for timely classification by the Operation Division based on sector and toll station and for reporting and processing. The personnel who is responsible for processing the complaint should feedback the processing of the complaint to the complainant within a time limit (immediately for general complaint and 3 business days for important complaint) and record the results. In 2022, the Company accepted 168 complaints, which were 100% solved.

1.3 *Toll management*

Toll free

The Company has formulated the Management Measures for Exempted Cars under Toll-free Policies to strictly implement the national and provincial department's relevant regulations on exempted cars under toll-free policies to regulate the management of exempted cars under toll-free policies and ensure the effective implementation of all the favorable policies and service methods.

Toll-free service applies to exempted cars under toll-free policies, such as fresh agricultural product carriages (being "Green Lane") and cross-region agricultural machinery transportation vehicle. The toll station under our management provides convenient and high-quality services to exempted cars under toll-free policies to ensure their safety and swiftness.

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The Company exempted charge for 890,150 vehicle owners of approximately RMB58,603,600 toll income in total (the figure excludes toll fee payment for vehicles on statutory holidays) for 2022.

Subject to Exemption	per vehicle	Exempted Amount (RMB ten thousand)
Army vehicles or armed police vehicles	6,035	17.96
Cross-region agricultural machinery transportation vehicle, combined harvesters (including rice trans-planter)	6,613	164.55
Holiday and festival	817,100	/
Fresh agricultural product transportation carriages and green lanes vehicles	59,583	5,668.87
Disaster rescue	492	5.97
Vaccines	327	3.01
Total	890,150	5,860.36

Guaranteeing toll collection fairness

The Company attaches great importance to ensuring the fairness of toll collection and is committed to bringing fair and equal service to customers. In 2022, the Company strengthened cooperation among all units leveraging its big data resources, which jointly improved the accuracy of combating toll evasion and further ensured the fairness of tolls by establishing a special action working group for combating toll evasion and avoidance, sharing information of law enforcement departments and cooperation units such as traffic police and public security, improving the governance of holiday toll evasion and ensuring smooth security, and focusing on inspection of vehicles with abnormal platform data. In 2022, the Company recovered total toll income of approximately RMB412,600 in respect of 10,171 vehicles. The Company cooperated the completion of over 30,000 provincial and over 60,000 departmental inspection orders within the all-way network.



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2. Safe Operation

2.1 Safe management

Security system standardization

The Company deepened the construction of special system for safe production. In 2022, the Company focused on consolidating the achievements from its previous system standardization under the deployment of the “three-year special action” plan. Taking the “three-year special action” of the group company as an opportunity, it comprehensively promoted the standardization of the special safety system, and made the special system comprehensive and meticulous by inspecting item by item, covering missing items, deleting and integrating duplicate items. Based on business characteristics, relevant business departments and units focused on strengthening the construction of special safety production systems in their business areas; grassroots production and operation units focused on carefully sorting out the post safety instructions covering all positions and personnel according to the results from previous standardization, and checking whether they meet the actual work and whether there are missing items one by one. The Company and all subordinate units shall organize and revise the safety management measures and operating procedures every quarter in accordance with the relevant safety production laws and regulations and the safety risks of the unit to ensure their effectiveness and applicability.

The Company has strictly complied with the Law of the People’s Republic of China on Work Safety 《中華人民共和國安全生產法》, the Law of the People’s Republic of China on Road Traffic Safety 《中華人民共和國道路交通安全法》 and the Regulations on the Principal Responsibility of Production and Operation Entities 《生產經營單位主體責任制規定》 of Shandong Province and other relevant laws, regulations and requirements. The Company revised the “Measures for Processing Complaints about Charge Service” 《收費服務投訴處理辦法》, the “Practices for Audit and Examination of Toll Operation” 《收費運營稽查考核辦法》, the “Ticket Payment Card Management Practices” 《票款卡管理辦法》 and other systems related to toll operation. The Company also revised 12 integrated and special safety production systems, namely the “Safety Production, Supervision and Management Practices” 《安全生產監督管理辦法》, the “Safety Production Management Examination Reward and Punishment Practices” 《安全生產管理考核獎懲辦法》, the “Safety Production Whistleblowing Reward and Punishment Practices” 《安全生產舉報獎懲辦法》, the “Risk Source Identification List” 《風險源辨識清單》, the “Job Safety Manual” 《崗位安全說明書》, the “Operation Procedures” 《操作規程》, the “Management Practices for Stocking Up of Emergency Supplies” 《應急物資儲備管理辦法》, the “Safety Fund Management Practices” 《安全經費管理辦法》, the “Management Practices for Road Operation Safety” 《道路運營安全管理辦法》, the “Office Building Fire Safety System” 《辦公樓消防安全制度》, the “Management Practices for Expressway Maintenance Safety” 《高速公路養護安全管理辦法》 and the “Measures for the Administration of Network Security” 《網絡安全工作管理辦法》. The “Guide to Contingency Plans” 《應急預案匯編》 was also amended to include 1 integrated contingency plan and 10 special contingency plans.

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Hidden hazard examination and elimination and relevant governance

The Company's dual prevention system was initially formed in 2021. In 2022, the Company further promoted and improved the construction of the dual prevention system, summarized experience and lessons learned from the 345 risk points detailed in the process of work in 2021, and carried out all-round and whole-process meticulous sorting and continuous improvement of equipment and facilities, operating environment, personnel behavior and management system. The "Hidden Hazard Database" was further improved to determine "what and how to check". Use of app "Snapshot" (随手拍) for hidden hazard-related purpose, the Company enhanced the participation of all staff in the examination and elimination and management of hidden hazards. Based on the risk management and control measures, and focusing on key areas including snow removal and anti-skid prevention, maintenance construction sites, bridges, traffic safety facilities, toll stations, billboards, fire protection, office space, vehicles and drivers, as well as in key periods and time nodes such as bad weather, New Year's day, Spring Festival and passenger transport during or around Spring Festival, the hidden hazards elimination was organised and carried out in stages and in a focused manner. The responsible officers of the Company and each subordinated unit lead the team to inspect and investigate the safety production at least once a quarter, and organize the establishment of a risk management and control mechanism on safety production, to supervise and inspect the safety production and eliminate the hidden hazards of production safety accidents in a timely manner.



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Special security rectification

The Company carried out, and the Company and all subordinated units continued to carry out special rectification for the protection and safety of operating road and bridge property and wrecker clearing, and organized large-scale hazard investigation on road and bridge property protection and wrecker clearance safety. The Company revised and issued the safety management system on road and bridge property protection and wrecker clearance, and organised the operation of management measures for protection of road and bridge property, training and learning of operation procedures and emergency plan drills.

The Company carried out special governance of toll collection safety on operating roads and bridges, strengthened the safety control of toll stations, improved the contingency plan for unblocking and smooth of toll stations, strengthened the traffic facilitation organization of return through entrance weighing, and guaranteed system operation and maintenance such as highway video surveillance and ETC gantry to ensure safe and orderly toll collection services. The Company and all subordinated units continued to conduct special rectification on charge security of operating road and bridges, and organized large-scale hazard investigation on road and bridge protection and wrecker clearance safety. The Company revised and issued the safety management system on road and bridge property protection and wrecker clearance, and organised the conduct of measures for charge security of operating road and bridge, training and learning of operation procedures and emergency plan drills.



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Traffic contingency response plans

The Company's contingency response system comprise 5 comprehensive contingency plans and 4 special plans. In 2022, the Company further promoted and improved the contingency response system, to highlight the practicality of the contingency response, the integrity of the basic elements, the pertinence of preventive measures, the scientificity of the organizational system, the operability of response procedures and the feasibility of contingency safeguard measures. The Company sorted out and improved its response compilation in April, the contingency response plans of each subordinate unit in May and the contingency response plans of grassroots units such as toll stations in June.

The Company further strengthened contingency drill capabilities and all units comprehensively strengthened daily contingency drills, to ensure that contingency plans, drills and training are "three in place". The Company also enhanced the contingency management system and capacity building. At the end of February and the beginning of March, each operation and management centre organized bridge and road property protection and contingency obstacle clearance drills. In May, all subordinate units organized epidemic prevention contingency drills. In June, each operation and management centre organized flood control contingency drills. In July, the Company organised road congestion contingency drills. In November, the Company organised a contingency drill for high-rise escape. All toll stations shall organize contingency drills on bad weather and congestion prevention in a timely manner.



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Case: Traffic Contingency Response of Operation and Management Centres at the Spring Festival

Under the requirements of documents of the group company, including the Measures for the Management of Road Operation Guarantee on Major Holidays 《重大節假日道路運營保障管理辦法》, the Work Plan for Guaranteeing Expressway Operation at 2023 Spring Festival 《2023年春運高速公路運營保障工作方案》 and the Comprehensive Contingency Response Plan for Expressway Traffic Jam 《高速公路交通堵塞突發事件綜合應急預案》, each operation and management centre has formulated traffic contingency response to ensure rapid and effective response to possible heavy traffic, congestion and safety accidents during the Spring Festival and required units at all levels to perform duties and pay close attention to implementation based on actual situation and go all out to respond to the large-scale traffic flow.

Each operation and management centre reserved contingency materials, equipment and facilities based on actual production and operation condition, and the Company allocated and used them within the Company according to the contingency response plan. All units, based on the actual situation, refined the specific measures of the plan for ensuring “a policy for a station”, and all carried out contingency plan drills before the holiday. All operation and management centres strengthened the setting of free lanes on holidays to provide a strong support for the orderly performance of duties and ensure security during holidays.



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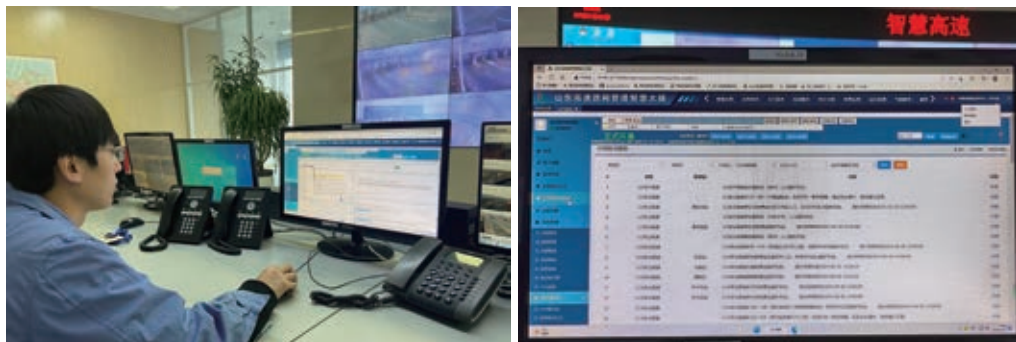
2.2 Road Operation

Systematic guarantee

In order to cater for the needs for modern road construction, the Company developed the “Administrative Measures for the Operation and Use of Information Electromechanical Systems” 《信息機電系統運行使用管理辦法》, the “Software Management System” 《軟件管理辦法》, the “Cybersecurity Management Practices” 《網絡安全工作管理辦法》 and the “6S Management Criteria for Information Electromechanical System” 《信息機電系統6S管理規範》, and applied them into daily road management. The Company introduced smart facilities and systems in respect of toll collection, communication and surveillance for strengthening road information management. In addition, the Company continued to use, and applied into road management, and further upgraded, its self-designed “Video Analysis Technology-based Road Abnormalities Alert System” (基於視頻分析技術的道路異常事件預警系統). The Company issued the Measures for the Administration of Road Property Protection and Road Network Operation of Highways (Trial)《高速公路路產保護及路網運行管理辦法(試行)》 to enhance the protection of expressway properties and the operation and management of the road network, ensure the safety and smooth flow of expressways, and safeguard the legitimate rights and interests of the Company.

Road operation

The operation control and command centre dispatches resources in emergency events such as accident handling and emergency rescue in real time through the “Smart Brain” software without systematic error rate. It also checks the site in real time through surveillance video. It is required under the system that the road management personnel shall arrive at the site 20 minutes after receiving the notice, and complete the handle processing of a general accident within 30 minutes. The system records the entire event processing in real time and forms an event record.



Road alert system

In order to effectively reduce the harm of bad weather to the expressway, the Company has equipped road safety alert equipment, which uses roadside equipment to remind the passing vehicles, and sends warning signals in advance before the bad weather, to help the passing vehicles take safe driving measures in advance, so as to ensure the safety of the road and the passing vehicles.

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Case: More Security Warnings Set Up for Road Sections Vulnerable to Severe Weather of Deshang Expressway K182-K186

At the road sections that are vulnerable to severe weather of Deshang Expressway K182-K186, vehicle guidance devices, road condition warning devices, traffic control notification screens, distance and speed limit warning screens, micro weather stations and other response supporting facilities in the traffic emergency management and control system were equipped with, which reduced the impact of bad weather on road traffic safety through technology empowerment, and provided the public with more accurate, punctuate and high-quality active safety warning and traffic guidance services and further improved the driving safety, traffic efficiency and driving experience of vehicles on the Deshang Expressway. When rain or severe weather occurs in the K182-K186 section of the Deshang Expressway, warm text reminders are automatically displayed on the road condition warning devices on both sides of the expressway, accompanied by a prompt sound, and the surrounding LED traffic display also prominently broadcasts the weather status and control level of the current road section. Besides, the micro-weather station of this section also continuously transmits weather, temperature, wind speed, visibility and other information to the back-office, and after these data are confluent with the detection data of other road surface, they are intelligently screened by the back-office and returned to the “front office”, accurately providing “driving guides” for passing drivers.

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Road chiefs' joint engagement mechanism

In order to firmly fulfill the ideology of “taking whole road management as a game of chess (全路一盘棋)” and enhance the overall awareness, taking “internal cooperation and external engagement” as the starting point, and following the principle of “sound institutions, clear responsibilities, strict implementation and stringent result-oriented materialization”, the Company establishes a featured, institutionalized, systematic and normalized “Road Chief” working mechanism to strictly fulfill the responsibilities of each step and strengthen its management and control capabilities of road operations. The mechanism stipulates the duties of the road chief system, grid management mode, information aggregation and dispatching and other business contents, and is applicable to all operation and management centres of the Company. Each operation and management centre reasonably specifies the responsibility scope of road chief, section chief and grid chief under the requirements, so as to ensure continuity of work without suspension, alternation or overlapping, and that persons in charge take the responsibility correspondingly.

Road Chief	Section Chief	Grid Chief
<p>The road chief is assumed by the person in charge of each operation and management centre, and it is divided by areas under the management of each centre. The chief is fully responsible for the maintenance of the road appearance, road smoothness guarantee, electromechanical operation and maintenance, toll collection safety management, operation and dispatching and command and other work in the unit; the chief also organizes and motivates various departments to cooperate with each other; They also communicate and coordinate with external parties, including expressway traffic police, local traffic police, adjacent transportation management units, etc..</p>	<p>The section chief is served by the deputy director or director (as case may be) of each operation and management centre, and is responsible for detecting, dispatching, tracking, and handling of accidents affecting road appearance, traffic safety, and various emergencies under management. They are responsible for further rationally dividing the area under management into several grids, and determining the management scope and responsibilities of each grid chief, so as to ensure continuity of work without suspension, alternation or overlapping.</p>	<p>The grid chief is assumed by the middle-level management of each operation and management centre, and is responsible for the inspection and following up of processing of abnormal accidents in the grid. They supervise and implement the inspection according to the plan, summarize and analyse the problems found in the inspection process, and timely give feedback to relevant responsible department for rectification, so as to keep improving the inspection effect.</p>

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Information Security

The Company has established corporate information safety management system and developed Measures for the Administration of Network Security, which could prevent external attack and avoid the leakage by internal individuals. Through the system, we are able to protect corporate information system from unauthorized access, use, disclosure, disruption, modification and destruction, provide confidentiality, integrity, authenticity, availability and non-repudiation services for corporate information and corporate information system, and ensure that the data would not be lost when disruption or catastrophic events occur. The Company protects the information security of the portal website, OA system, and office network by taking use of firewall, intrusion prevention, WAF, Internet behavior management and log audit equipment, protects its domain name resolution service using the “City Shield” system, and scans and timely patches system vulnerabilities with the leakage scanning equipment on a regular basis. The Company’s office network, portal website and OA system have passed the information security level 2 protection assessment. The internal network area of the Company is isolated, and the network intranets between different functions, physical areas and functional areas cannot be interconnected. Customer information is stored in the private network, which is physically isolated from other networks, and the data analysis work involving customer information is carried out in a dedicated server on the intranet, and only macro statistical data is extracted. There were no complaints or information security incidents in 2022.

2.3 Road Maintenance

The Company’s investment in maintenance in 2022 amounted to RMB31,522,000, including investment in minor repairs of RMB21,534,400, investment in Electromechanical repair and maintenance of RMB3,530,100, investment in electromechanical special projects of RMB4,694,800 and other of RMB1,762,700. The excellent road rate of Jihe Expressway, Shennan Expressway and Deshang Expressway had reached 100%, and the subgrade and facilities along the line are in good condition as a whole, meeting the requirements for safe passage of the road. During the construction of the expressway maintenance project in 2022, the Operation Division performed some technological innovations by applying a number of new materials and new technologies, which ensured the quality of the project while achieving technological innovation. In addition, the Company timely carries out replanting of damaged seedlings in the central separation strip, improves the efficiency of expressway maintenance, and optimizes the traffic environment.

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Pavement crack-resistant paste technology

The new material – pavement crack-resistant paste when repairing pavement potholes, which is used for emergency maintenance of pavements, has the advantages of simple construction, long durability and low maintenance cost. Several emergency maintenance application tests have achieved good results. Pavement crack-resistant paste is a road molecular polymer modified material, firstly, it has strong tensile strength, which can effectively resist the tensile stress after excavation with cold feed in the pit, thereby improving the tensile strength of the asphalt pavement structural layer. Secondly, it can play a role in energy dissipation buffer. Crack-resistant paste is a material with high viscosity elasticity. Laying the crack-resistant paste on the asphalt surface layer is equivalent to setting up a good composite layer, and can play a good tensile adhesion effect on the pit after digging with cold feeding. Thirdly, it can be used as water barrier for anti-seepage. The polymer of the crack-resistant paste can form a complete waterproof and impermeable layer, which can isolate the water penetration of the pavement, thereby avoiding the failure of cold feed digging due to rain and snow water infiltration and re-appearance of pits. Each construction can be cut according to the size of the pit, without waste and garbage, thereby protecting the environment, saving maintenance costs, and playing a role in reducing costs and increasing efficiency.

Replanting of damaged seedlings in the central separation strip

The Company timely carries out replanting of damaged seedlings in the central separation strip, comprehensively improves the specialization and mechanization level of greening and pruning, use the hedge trimmer to trim the top and side of the central strip seedlings in a timely manner, make the top surface flat, the height is consistent, the side trim is smooth, and the side branches do not block the contour, so as to ensure the driving safety. The high grass on the road shoulder and side slope has been trimmed many times by using the operation method of “machinery first, supplemented by labor (機械為主、人工為輔)”, which basically meets the requirements within and outside the driving field of vision, and the rate of greening seedling management and protection in place reached 100%. In 2022, a total of 1,121 seedlings had been replanted, and the central strip of the main line had been cleaned, the shoulder of the interchange area and the slope lawn and the top and side of the central strip seedlings had been trimmed twice.

3. Quality and Efficiency Enhancement

3.1 Technology innovation

The Company actively embraces the trend of digitalization and intelligence, and accelerates the pace of technological innovation around the construction, operation and management of expressways, driven by scientific and technological innovation. In 2022, the Company's R&D investment amounted to RMB3.9167 million, and a total of 8 scientific research projects were established, including Intelligent Construction and Quality Control of the Whole Process of Expressway Reconstruction and Expansion of Asphalt Pavement (《高速公路改擴建瀝青路面全過程智慧建造與質量控制》), the Research on Engineering Technology of Variable Section Slurry Spray Composite Pile based on the Integrated Material and Structural Design (《基於材料與結構設計一體化的變截面漿噴複合樁工程技術研究》), the Research on Key Technologies of Safety Risk Management and Control and Traffic Organization of Expressway Reconstruction and Expansion

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Construction 《高速公路改擴建施工安全風險管控與交通組織關鍵技術研究》, the Research on Key Technologies for Stiffness Difference Control and Splicing of New and Old Bridges in Expressway Reconstruction and Expansion Projects 《高速公路改擴建工程新舊橋樑剛度差異控制及拼接關鍵技術研究》, Research on Carbon Reduction Technology of Bridges and Asphalt Pavements in Expressway Reconstruction and Expansion Projects 《高速公路改擴建工程橋樑與瀝青路面減碳技術研究》 and other projects, which include categories in engineering technology, information technology research, new product research and development, soft science research projects other than management, new technology promotion and application and transformation of scientific and technological achievements.

In terms of innovative application, the reconstruction and expansion project office has built a “cloud intelligent management” information system platform, and steadily carried out the construction of information management. It comprises subsystems such as project management system (collaborative office system between the project office and the participating units), quality cloud supervision, security cloud supervision, environmental cloud supervision, metering and payment system, etc.. Taking use of big data, blockchain and other smart high-speed concepts and based on big data, it achieved business integration, platform unification, data sharing, intelligent analysis, as well as all-weather monitoring and whole-process management in the cloud. Jihe Operation and Management Centre actively developed the “intelligent cloud examination system” platform, and implanted the system platform into the enterprise WeChat office software, which integrates learning, testing, practice, competition, investigation, analysis and management, and plays an important role in “digital intelligence” operation and management.



Scientific research project initiation meetings organized by the Company

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3.2 Advertisement and trademark management

While performing the duties of expressway operation, the Company attaches importance to the development of advertising business, further enhances the business value of its expressways in operation by improving advertising and trademark management and promotes the quality and efficiency improvement of the Company as a whole. The Company strictly complies with the Advertisement Law of the People's Republic of China 《中華人民共和國廣告法》, the Contract Law of the People's Republic of China 《中華人民共和國合同法》 and the Highway Law of the People's Republic of China 《中華人民共和國公路法》 and the relevant laws and regulations. The Company has entered into Trademark Licensing Agreement 《商標使用許可協議》 with the Group Company to legally use the trademarks of the Group Company registered in Hong Kong as stipulated in the agreement. Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司) ("Shunguang Industrial"), a subordinate company of the Company, has formulated management systems such as the "Rules and Regulations of Shandong Shunguang Culture Media Company Limited" 《山東舜廣實業發展有限公司規章制度》 and the "Advertisement Management System of Shandong Shunguang Culture Media Company Limited" 《山東舜廣實業發展有限公司廣告管理制度》. The majority of advertising media business of Shunguang Industrial were contracted to an advertising company, which was responsible for communicating with customers directly.

In response to the policy calling for the cancellation of "single-column billboards" (單立柱廣告牌) in Shandong Province, the Company set up environmental LED display screens with high image definition at a number of toll stations. The Company plans to further set up LED advertising equipment in the future and reduce investment in traditional billboards. The Company will cooperate with road management authorities in the use of LED advertising equipment for the release of traffic information and the publicity of new expressway regulations. Throughout 2022, there were no non-compliances with relevant laws and regulations that have a significant impact on the Company relating to advertisements and trademarks, etc..



LED Advertisement Display at Dongping Toll Station

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CHAPTER III WORK IN CONCERTED EFFORTS FOR LONG-TERM DEVELOPMENT

1. Employee Responsibility

Adhering to people-oriented management concept, the Company adheres to fair employment principle by respecting and guaranteeing the interests of employees and regulating occupational development path, so as to accelerate talent team building, promote employee growth and improve their sense of belonging and happiness by transferring our warm care into actual benefits.

1.1 Employment equality

The Company strictly complied with the Labour Law of the People's Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, the Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》, the Interim Provisions on Payment of Wages 《工資支付暫行規定》 and other laws and regulations. Having regard to its own actual circumstances, the Company has formulated and improved its "Remuneration Management Practices" 《薪酬管理辦法》, "Attendance Management Practices" 《考勤管理辦法》, "Penalties for Breach of Discipline and Regulations by Employees" 《職工違紀違規行為處分規定》, "Management Practices for Labour Contracts" 《勞動合同管理辦法》, "Management Practices for Flexible Employment Recruitment and Dismissal" 《員工能進能出管理辦法》 and other systems and practices, to accommodate the demand for corporate business development, establish a sound incentive mechanism, develop a scientifically reasonable distribution system, protect employees' legitimate rights, mobilise employees' enthusiasm and creativity, and boost employees' work efficiency and the Company's business efficiency.

The Company recruits employees following the principle of fairness and impartiality, determines appropriate selection channel based on the requirement for positions and the characteristics of talent supply and demand, absorbs talents and signs labour contract with them and improves insurance protection system.

In 2022, the Company, following the principle of "openness, equality, competition and merit", organized two open recruitments at social level in Zhaopin.com and Liepin.com for secretarial, financial, grassroots party building, technical personnel, management and other positions. The Company recruits employees at the age of above 18 in strict accordance with national laws and regulations such as the Regulations on Prohibition of Child Labour 《禁止使用童工規定》 and the Regulations of the State Council on Working Hours of Employees 《國務院關於職工工作時間的規定》. All new recruits are required to provide personal information. The Company checks the personal information and makes timely correction if any problem is found. Child and forced labour are strictly prohibited. There were no violations of discrimination, child labour or forced labour during the reporting period. In case an employee causes serious harm to the interest of the Company or is subject to criminal liability accordingly to the law due to his/her severe violation of labour discipline or the Company's regulations, gross negligence and malpractice, the Company will take dismissal measures against him/her. In 2022, the Company did not dismiss any employee for the reason of the above behaviours.

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As at 31 December 2022, the Company had a total of 693 employees, 263 of them are female, representing approximately 37% of the total number of employees. (The above figures are consistent with those set out in the annual report, and include 72 employees of its subsidiaries)

Indicators		2022 Statistics
Total Number of Employees		693
By Gender	Female	263
	Male	430
By Employment Category	Leaders of the Company	11
	Middle-level employees	52
	Technical staff in business	200
	Skilled staff in production	392
	Housekeepers	38
By Age	Aged below 30	57
	Aged 30 – 50	580
	Aged above 50	56
By Academic Qualification	Postgraduates and above	28
	Undergraduate	394
	College graduate	182
	Below college graduate	89

In 2022, the Company had a total employee turnover of 6, representing an employee turnover rate of 0.86%. Among them, 4 were male and 2 was female. 4 of them were from Jinan, 1 was from Liaocheng and 1 was from Tai'an. 3 of them were aged 35 and below, 1 of them was aged 36-55 (inclusive) and 2 of them were retired employees aged 56 and above. In terms of academic qualification, none of them was postgraduates and above, 3 of them were undergraduates, and 3 of them were college graduates and below.

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Indicators		2022 Statistics
Total new recruits		28
By Gender	Female	14
	Male	14
By Location	Jinan	28
	Jining	0
By Age	Aged below 36	26
	Aged 36-55	2
	Aged above 55	0
By Academic Qualification	Postgraduates and above	6
	Undergraduate	21
	College graduate and below	1

1.2 Remuneration and Benefits

On the principles of making distribution according to work, responsibility and contribution, fixing and adjusting salary according to job position, and equal pay for equal work, the Company has established a remuneration distribution system and a dynamic remuneration management mechanism whereby employees are remunerated with reference to their job position and work performance. Under the system of the Company, employees can have a regular pay raise every year, having taken into consideration of other factors such as passing the three-year performance assessment, general adjustments and adjustment to basic salary according to the Company's system. Monthly salary is verified and paid according to the attendance provided by each unit. In 2022, there were no irregularities relating to remuneration packages.

In compliance with the requirements of national and local laws and regulations, the Company pays basic pension insurance, unemployment insurance, work-related injury insurance, medical insurance and housing provident fund in full and on schedule each month for all employees. In the meantime, to ensure and improve the standard of employees' postemployment benefits, to keep employees healthy, to mobilise their enthusiasm for work and to promote a healthy and sustainable corporate development, the Company also regularly pays enterprise annuities and supplementary medical insurance for all employees who have passed probation period. Welfare will be distributed to employees each year in accordance with the provisions of the Notice on Adjusting the Relevant Standards of the Basic Labor Union Expenditure《關於調整基層工會經費支出有關標準的通知》 issued by the Workers' General Union.

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In 2022, the Company paid a total of RMB41,248,900 for various welfare expenses.

Unit: RMB'0,000

No.	Items	Expenses
1	Heating subsidy	126.24
2	Social insurance	1,928.37
3	Housing provident fund	961.38
4	Corporate annuity	676.29
5	Supplementary medical insurance	383.19
6	High temperature subsidy	38.15
7	Accidental injury insurance	11.27
	Total	4,124.89

Special staff care. For female employees who breastfeed their less than 1-year-old infants, they are arranged 1 hour of breastfeeding time during working hours each day. For female employees who have multiple birth infants, they are provided 1 more hour of breastfeeding time for every additional infant. For those who are unable to work, they may be entitled to an extended breastfeeding leave of less than 6 months after submitting their own written applications and obtaining approval in accordance with relevant procedures (if the nature of work allows so).

Support employees in difficulties. Actively carry out major holiday visits, “provide cool in summer” and “provide warmth in winter” and other condolence activities, visit and help needy workers, advanced model workers and front-line workers. Provide various recreational and sports facilities and activities to promote the balance between work and rest and the physical and mental health development of employees.



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1.3 Health and Safety of Staff

Ensure safe production

To thoroughly implement the Law of the People's Republic of China on Work Safety 《中華人民共和國安全生產法》, the Company developed systems such as the "Human Resources Management System" 《人力資源管理制度》, Safety Operating Procedures for Qilu Expressway 《齊魯高速公路安全操作規程》, the "Safety Management System" 《安全管理制度》 and the "Fire Management System" 《消防管理制度》, and set out therein the contents about safeguarding the health and safety of staff according to its actual circumstances. From the perspective of safety management, the Company compiled a safety manual for every job post. Staff members at all levels are required to sign safety responsibility statements which clearly define every job post and the job responsibilities of every employee. In addition, with reference to its "Quality, Environment and Occupational Health and Safety Management" (質量、環境、職業健康安全) standardization document, the Company identifies hazardous sources and environmental factors on a regular basis, and thereby controls hazardous factors.

In 2022, there were no non-compliances relating to providing a safe working environment and protecting employees from occupational hazards. There were no work-related fatalities during the year, and thus the rate of work-related fatalities was 0%. The Company recorded lost days due to work injury of 259 days.

Work injury statistics of Qilu Expressway in 2020-2022

Year	2020	2021	2022	Unit
Work-related fatalities	0	0	0	Person
Rate of work-related fatalities	0	0	0	%
Lost days due to work injury	12	12	259	Day
Number of work-related injuries	1	1	2	Person

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Prevent occupational diseases

The Company complied with the Law of the PRC on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, the Measures for the Administration of Occupational Health Examination 《職業健康檢查管理辦法》, the Regulations on Work-Related Injury Insurance 《工傷保險條例》 and other relevant laws and regulations in the region where we operate. The Company standardizes the prevention and control of occupational diseases, regularly carries out the annual detection and daily monitoring of occupational hazard factors, standardizes the configuration and wearing of personal protective equipment, and achieves the full coverage of employees' physical examination. There are no occupational disease cases during the Reporting Period. The Company provide each staff with appropriate labour insurance supplies, and conduct occupational health check-ups on a regular basis, while providing comprehensive protection for the occupational health and safety of employees in advance. The rate of occupational health and safety training before employment reached 100%, and the rate of protective measures also reached 100%. We also ensured that there was no food poisoning, no infectious diseases, no major epidemics. In addition, the Company also carries out occupational health publicity activities and publicity activities in a variety of ways such as theme propaganda, training, warning education, covering all employees of the Company, and organizes the selection of the Company's "occupational health experts(職業健康達人)" to ensure that occupational health awareness is instilled in each person.

Expenses of labour insurance supplies in 2022

No.	Unit	Amount (RMB0'000)
1	Headquarters	1.668
2	Jihe Operation and Management Center	23.7
3	Office of R&E Project	0.42

Expenses of pandemic prevention supplies in 2022

No.	Unit	Amount (RMB0'000)
1	Headquarters	32.767
2	Office of R&E Project	2.8
3	Jihe Operation and Management Center	18.0782
4	Liaocheng Deshen Operation and Management Centre (聊城德莘運管中心)	8.8209
5	Qilu Expressway (Shandong) Assembly Co., Ltd.	2.6989

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Physical examination of the Company in 2022

Number	Percentage	Expenses (RMB)
693	100%	701,617.31

Safety Training

In 2022, a total of 31 safety education training sessions were conducted, with a total of 2,186 participants.

On 7 February, the first working day of the resumption of production, the Company headquarters adopted the way of whole-employee meeting, video meeting, on-site meeting, etc., to conduct the “First Class”, so that all employees can quickly concentrate and achieve safety production. In the afternoon of 7 June, the Company organised a safety education training activity on “Comply with the Safety Production Law and Be the First Responsible Person” (遵守安全生產法當好第一責任人). The main person-in-charge gave a special lecture on “Safety Production” entitled “Comply with the Safety Production Law and Be the First Responsible Person”, which closely followed the theme of the “Safety Production Month” activities, and made a detailed interpretation of the recent 15 measures of the Safety Committee of the State Council on strengthening the implementation of safety production responsibilities and resolutely preventing and curbing the occurrence of serious accidents in safety production, as well as making arrangements for the next step of safety production work. In August, the Company organised a training for main persons-in-charge and safety management personnel, engaged experts in the field of safety production to conduct lectures on various contents such as safety leadership enhancement and the construction of a safety management model for the new era, the applications of the safety production management information system and the safety production credit monitoring system. In December, the Company organised a training for fire safety knowledge such as fire escape methods and strategies for high-rise buildings.



“First Class” of Safety Training Activity in 2022

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1.4 Development of Employees

Improve the performance assessment

The Company has always attached great importance to the development and training of its employees, and regarded talents as the fundamental driving force for sustainable development. Therefore, the Company strives to create a good career development space for employees. The Company has formulated a comprehensive promotion system for its employees, conducted periodic employee evaluation pursuant to the “Human Resources Management System” 《人力資源管理制度》 as to employees’ evaluation, the “Remuneration Management Practices” 《薪酬管理辦法》 and the “Performance Evaluation Management Practices” 《績效考核管理辦法》 and other documents, and determined employee promotion according to the evaluation results, and stipulated the following evaluation procedures: grading by the leaders of the Company, grading by immediate superiors and grading among employees. Evaluation results are divided into four grades, namely, Excellent, Passed, Basically Qualified and Failed.

Provide skill training

The Company actively organised and encouraged its employees to participate in various forms of professional knowledge learning and skills training. Pursuant to the requirements of the Human Resources Management System 《人力資源管理制度》 as to training, departments and offices at headquarters and controlled entities should propose training needs and budget at the end of every year. After review and approval, the human resources department should uniformly develop the training plan for the next year and arrange and supervise over specific implementation.

The Company’s employee training categories are as follows: induction training for new employees, regular training and irregular training. Induction training for new employees mainly covers corporate culture, personnel system and safety education. Regular training includes safety education training, toll collection exchange meeting, financial training, etc., and regular lectures organised by the Group Company. Irregular training covers new business updates and new policy introduction in accordance with national policies, market development and changes in the business of the Company. The participants include the leaders of the Company, middle-level employees, technical staff in business and skilled staff in production. In 2022, the Company has carried out 113 training sessions. The number of participants was 5,621. The actual training expenditure was RMB381,430.

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Service etiquette training

In order to standardize the civilized service behavior of toll collectors, extend the connotation of civilized service, and provide high-quality travel services for the public, the toll stations of the transportation management center carry out civilized service etiquette training activities. The training invited teachers from vocational schools as the main lecturer, combined with the work and life etiquette norms of the service industry, and focused on the aspects of appearance and dress, civilized service language, smiling service standards, civilized service gestures, etc., through case introduction, multimedia teaching, on-site demonstration and other ways to conduct professional and vivid explanations. Through the civilized service etiquette training, the civilized service behavior of toll station staff has been further standardized, and the civilized service awareness of toll personnel has been improved, which is helpful to build a toll collection team with high quality, excellent business and excellent service, push the window service to standardized management, and establish a good corporate image.



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Financial System Training

In order to standardise the Company's financial management, improve the business level of financial personnels and familiarise themselves with and master the NC financial system operation specifications as soon as possible, the Company organised a special training on the NC financial system operation specifications, covering the financial personnels of the Company headquarters, each operation and management centres, project offices and ownership units. The NC system operation and maintenance team introduced in detail the operation specifications and matters needing attention for each common module of the NC system, including basic data, general ledger, fixed assets, unit and consolidated statements and budgets. In accordance with the work carried out in the previous period, the financial management department sorted out and explained the problems identified one by one from several aspects, such as voucher preparation and review, binding, reconciliation and closing inspection as well as statement issuance.



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Centralised Training on the Important Expositions on the Reform of State-owned Enterprises and Party Building

Pursuant to the relevant requirements of the three-year action of state-owned enterprises reform and in conjunction with the work arrangements of the Party Committee of the Company, the Company held a centralised training on “The General Secretary Xi Jinping’s Important Expositions on the Reform and Development of State-owned Enterprises and Party Building”, with video sessions set up in each ownership unit. The training course specially invited Professor Yin Chuanzheng (尹傳政) from the Party School of Shandong Provincial Committee to give a wonderful lecture entitled “Strengthen the Leadership of Party Building and Realise the Reform and Development of State-owned Enterprises” for the participants, where Professor Yin Chuanzheng gave an in-depth explanation with simple words centering on the important significance and new requirements of Party building of state-owned enterprises in the new era, the comprehensive strict governance and management of the Party as well as the implementation of the spirit of Party building and the reform of state-owned enterprises. Combined with actual cases of restructuring of some central enterprises, the professor provided an in-depth analysis of the reform directions of state-owned enterprises from the perspective of construction of state-owned enterprises system, the reform of mixed ownership, the market-oriented operation mechanism and the authorised operation system. Through the training, the participants gained a deeper understanding of the reform and development of state-owned enterprises, further enhanced their grasp of the macro policies, expanded their thinkings and clarified their directions.



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2. Cooperation and Mutual Benefits

2.1 Responsible Supply

The Company attaches importance to establishing win-win cooperation and mutually beneficial relationships with suppliers to jointly create a harmonious business environment. In the cooperation with suppliers, the Company strictly complies with the relevant provisions of the Tendering and Bidding Law of the People's Republic of China 《中華人民共和國招標投標法》, the Implementing Rules for the Tendering and Bidding Law of the People's Republic of China 《中華人民共和國招標投標法實施條例》 and the Company's "Tendering and Bidding Management Practices" 《招標投標管理辦法》. For procurement projects falling within relevant scope and meeting relevant criteria, suppliers were determined through open tendering, negotiation and consultation based on the principles of openness, fairness, impartiality, and good faith. Meanwhile, the Company has formed a tendering and procurement monitoring group, which is responsible for monitoring and guiding the tendering and bidding activities jointly with relevant departments. The monitoring group has an office for its daily operations. The office is a function under the corporate management department, with responsibilities of overseeing the implementation of national, provincial and industry laws, regulations and policies and the Company's rules on tendering and procurement. In 2022, according to the statistical coverage of the headquarters of the Company, 19 public tendering projects will be launched, with a total amount of RMB2.035 billion. And there are 13 non-tendering projects, with a total amount of RMB2.32 million.

Number of suppliers by geographical region in 2022

Province/city	Number of suppliers
Shandong Province	114
Beijing	10
Hong Kong, China	4
Jiangsu Province	3
Shanghai	2
Tianjin	2
Shaanxi Province	2
Guangdong Province	2
Hubei province	2
Hebei Province	1
Sichuan Province	1
Total	143

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The supply chain management principles of Qilu Expressway are as follows:

- (1) Strictly implementing national laws and regulations requirements on tendering and procurement and fulfilling the management measures for tendering and procurement of Group and Company. Standardising the tendering and procurement workflow to ensure legal compliance with the tendering and procurement.
- (2) Strengthening the training of tendering and procurement business, intensifying the legal awareness of personnel in tendering and procurement business, enriching the knowledge reserve of personnel in tendering and procurement business, and improving the professional work ability of personnel in tendering and procurement business.
- (3) Strengthening the monitoring and supervision of the tendering and procurement of ownership enterprises by the headquarters, and improving the comprehensive management level of tendering and procurement work.
- (4) Earnestly fulfilling the implementation and application of the tendering and procurement supervision platform, and comprehensively improving the Company's electronic service trading level in the whole process of tendering and procurement.
- (5) Discussing with the ownership entities to establish a supplier resource database, implementing categorical management of suppliers, and improving the level of refined management of suppliers.

In the bidding process for procurement of engineering construction projects, specific requirements in respect of the safety, quality and environmental protection of suppliers (including the daily supervision on salaries of migrant workers (labour fees), rules and regulations on safety production management, safety inspection procedures and construction safety management requirements, and instructions of supervisors on safety work) are set out in tendering documents. In terms of environmental protection, contractors are required to strictly comply with national environmental laws and regulations and relevant industry standards, which set clear provisions on construction noise reduction, dusting control, prevention of water pollution and other aspects.

Case: Supply Chain Management System on New Road Building Material Research and Development of Xinyue Company* (鑫岳公司)

Suppliers for road construction enterprises are divided into several categories, such as gravel, sand and other ground materials, cement and cement products, asphalt, water-stable mixes and asphalt mixes. Due to the special nature of the road construction and as a general practice, when selecting supplier, the Company would conduct visit, research and comparison in advance, and would choose large enterprises within the province and located near relevant projects. The qualified enterprise should also have qualification for production, and its producing process should comply with relevant environment, safety and other rules and regulations. For example, in terms of the supply of cement and cement products, we selected Shanshui Cement (one of the top 500 enterprises in China) as the supplier. This enterprise meets local requirements on emissions, and offers reliability in terms of producing environment, production process and products quality.

Environmental, Social and Governance Report

2.2 *Investor Relationship*

Qilu Expressway has established a sound two-way communication mechanism for investors. Through online and offline channels such as on-site communication, video conference, subscription by email, and telephone hotline, it can understand in an in-depth manner the focus and demands of investors, and enhance deeply and broadly corporate governance information disclosure. In addition, the Company pays attention to sound interaction with the media, develops information disclosure channels, and ensures that the Company's disclosed information is transmitted to the capital market as soon as possible, so that investors can be accurately informed of the updates of the Company. In addition, the Company maintained and strictly implemented the cash dividend policy to protect the legitimate rights and interests of investors for a long time, and had a stable investor base and well-established market reputation in the capital markets at home and abroad. In 2022, the Company published 69 announcements in relation to the disclosure requirements of temporary major events simultaneously at home and abroad in accordance with statutory disclosure requirements.

2.3 *Strategic Cooperation*

The sustainable development of enterprises is inseparable from the collaborative creation and joint efforts of partners. The Company actively pursues pragmatic cooperation with all parties, continuously expands the "circle of friends", enhances exchanges and cooperation and continues to grow its development strength. The Company signed a smart transportation industry strategic cooperation agreement with the Government of Pingyin County; Jihe Operation and Management Center negotiated with Culture and Tourism Bureau of Changqing District (長清區文化和旅遊局) and Shuipo Liangshan Scenic Spot (水泊梁山風景區) on the "Expressway + Tourism" cooperation projects.

Environmental, Social and Governance Report

Case: Jihe Operation and Management Center Explored the “Expressway + Tourism” Deep Integration Strategic Cooperation Project

Jihe Operation and Management Center of Qilu Expressway Company Limited and Culture and Tourism Bureau of Changqing District in Jinan(濟南市長清區文化和旅遊局) held a signing ceremony for the “Expressway + Tourism” strategic co-operation project at Changqing University City Toll Station. At the signing ceremony, Wang Jun (王軍), director of Jihe Operation and Management Center introduced the basics of Qilu Expressway Company Limited and Jihe Operation and Management Center to the leaders of Culture and Tourism Bureau, focusing on the development of “Expressway + Tourism” value-added service activities of Jihe Operation and Management Center. Jihe Operation and Management Center will cooperate with scenic areas for publicity, where passing drivers and passengers can enjoy discounts on tickets, accommodation and meals at the above-mentioned scenic spots with their toll station tickets. The parties conducted a comprehensive and detailed discussion around the theme and entered into an agreement. Both parties will make full use of their respective resources and platforms, and actively promote the public to “travel along the highway” by relying on the advantages of road networks and the influence of culture and tourism to create “Expressway + Tourism” dual culture and to increase the public’s sense of gain, happiness and security along the road.



Environmental, Social and Governance Report

3. Community Welfare

While paying attention to the development of expressway business, the Company always persists in giving back to the society and deeply integrates into the community construction with a high sense of mission. The Company is keen on charity, devotes itself to voluntary services, and is committed to giving back to the society with practical action and fulfilling the social responsibility. In 2022, the Company carried out 6 times of school donation, 18 times of public welfare voluntary service activities, 6 times of learning from Lei Feng activities, 6 times of helping the elderly and poverty alleviation activities, 3 times of public welfare publicity, and 1 time of blood donation activities.

Case: the party branch of Pingyin Toll Station(平陰收費站) of Jihe Operation and Management Center visited children in need

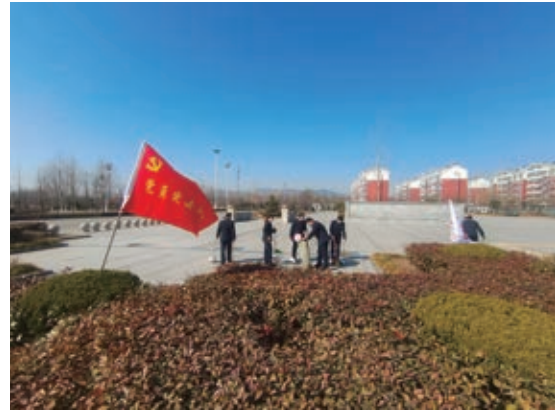
To consolidate the effectiveness of Party history learning and education and implement the requirements of “I do practical things for the masses” (我為群眾辦實事), on 27 January, at the arrival of the Spring Festival, the party branch of Pingyin Toll Station(平陰收費站) of Jihe Operation and Management Center of Qilu Expressway Company Limited, together with Communist Youth League of Pingyin County Committee (平陰縣委) organized a volunteer activity called “Help Fulfill Small Wishes and Light up New Hopes” (圓夢微心願點亮新希望) under the theme of “Festivals and Civilisation, Volunteering and Caring” (佳節尚文明志願關愛行). Party members of the toll station and volunteers from the “Rose Girls Squadron”(玫瑰女子中隊) delivered “small wishes” gifts such as books, clothes and school bags to the children in need, and the happy and shy smile on the children’s faces made this caring activity extra meaningful.



Environmental, Social and Governance Report

Case: The Company launched a volunteer service activity to learn from Lei Feng

5 March 2022 is the 59th “Lei Feng Remembrance Day” (學雷鋒紀念日). In order to further carry forward the spirit of Lei Feng and the new ethos of contributing to the society, the Company carried out activities to learn from Lei Feng at several toll booths, and organically combined the socialist core values with voluntary service activities. Through carrying out patriotic health clean-up activities in the community, caring for the elderly and providing warmth activities, environmental governance voluntary service activities and other forms, guided the Company’s employees to actively strived to be the disseminator and practitioner of the core socialist values, brightened the traffic window with true feelings, set up a high-speed image with actions, transmitted positive social energy with love, improved the service awareness of the Company’s employees, established a good expressway image, devoted and stuck to their own duties, and everyone strives to be the “Lei Feng” of the new era.



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Case: Pingyin South Toll Station launched activities to care for the lonely and elderly people on the Double Ninth Festival

On the eve of the Double Ninth Festival, the work plan and arrangement of the Party branch of Pingyin South Toll Station, in conjunction with the Xiaozhi Town Government, visited the lonely and elderly people at the station at 09:30 on September 28, and carried out the party day activity themed “Warm the Double Ninth Festival with strong respect for the elderly (溫暖重陽節濃濃敬老情)”. Party members, volunteers and village and town leaders had conducted a discussion. After the communication, a group of 10 people came to Tianxingzhuang Village (天興莊村), the residence of Xiaozhi Town, and sent rice, flour, oil, milk and other holiday consolations and greetings to the elderly people. At the same time, the deputy secretary of the branch held a cordial conversation with the elderly, carefully inquired about the difficulties encountered by the elderly, understood the living environment and physical health of the elderly, and encouraged them to be confident and optimistic. Through this condolence activity, we not only had sent affection and warmth to the lonely elderly, but also had further stimulated the staff’s feelings of respecting, respecting, loving and helping the elderly.



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Case: Pingyin Toll Station(平陰收費站) launched “Serving cool refreshments to the frontline construction workers in the hot summer” (炎炎夏日送清涼致敬一線公路人) voluntary service activity

In the hot summer, the temperature is unbearable. On 25 July, the Pingyin Toll Station (平陰收費站) of Jinhe Operation and Management Center of Qilu Expressway Company Limited organized the toll station party members' service team and the youth volunteers of “Rose Girls Squadron”(玫瑰女子中隊) to go to the front line of expressway construction projects and carry out the “Serving cool refreshments to the frontline construction workers in the summer” (炎炎夏日送清涼致敬一線公路人) voluntary service activities. Party members of the toll station and youth volunteers provided mineral water, watermelon and antipyretic medicine to the frontline construction workers of the expressway, expressing the most sincere respect to them for their perseverance in the frontline of the expressway construction in the hot summer.

This activity enriched the form of “I do practical things for the masses” (我為群眾辦實事) practical activities in Pingyin Toll Station (平陰收費站) and further consolidated the effectiveness of Party history learning and education. Pingyin Toll Station (平陰收費站) will continue to carry out practical activities for the public while improving the civilized service of toll collection, so as to enhance the practice of itself and service to the society.



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Case: Xiaoli Toll Station(孝里收费站) made efforts to battle against the pandemic

On 15 August, the volunteer service team of Xiaoli Toll Station(孝里收费站) came to the pandemic prevention work site at the highway exit. The staff here firmly guarded in the hot sun, and actively participated in the prevention and control volunteer activities at the critical moment of the prevention and control of the pandemic. They braved the high temperature and rushed ahead to do the logistical support work such as hygiene and cleaning for the comrades at the pandemic prevention site, and built the defense line to fight against the pandemic with their love.



Case: The Company organized tree planting activities

It said that "It's sunny and bright in March". In order to firmly establish the ecological concept of "Lucid waters and lush mountains are invaluable assets", all the Company's ownership units carry out voluntary tree planting activities before and after the Tree Planting Day. During the tree-planting activities, the staff were enthusiastic. They were energetic and cooperated with each other, they shoveled the soil and trampled on the soil for planting and planted the seedlings with hope in the soil, contributing to the green ecological construction. At the same time, around the Tree Planting Day, various voluntary service activities were carried out to provide hot water, vehicle guidance and other services for past drivers and passengers, and environmental protection leaflets were issued to enhance environmental awareness.



Environmental, Social and Governance Report

CHAPTER IV TAKING RESPONSIBILITY WITH GREEN DEVELOPMENT

Based on the goal of “Double Carbon”, the Company adheres to the concept of green development, constantly improves the environmental management system, strengthens pollution prevention, and bravely becomes the pioneer of green transformation. In 2022, we strongly carried out action of green development, and continued to reinforce the whole-process management of environmental protection. We insisted on the development of green energy, strictly complied with domestic and overseas applicable laws and regulations, and implemented the Measures for the Operation and Management Assessment of Quality, Environment and Occupational Health and Safety Management System (《質量、環境與職業健康安全管理體系運行管理考核辦法》). We fulfilled our corporate environmental protection responsibility in aspects of energy conservation, improving the level of utilisation of resource, compliance with the relevant discharge standards and responding to climate changes to promote development of social green transformation. In 2022, there were no non-compliances with relevant environmental laws and regulations that have a significant impact on the Company.

1. Utilisation of Resources

The Company adheres to rational and efficient use of resources and realizes resources optimisation, so as to promote sustainable development more substantially. The resource and energy utilization management of the Company is implemented in accordance with the provisions of the Law on Circular Economy Promotion of the People’s Republic of China (《中華人民共和國循環經濟促進法》), the Energy Conservation Law of the People’s Republic of China (《中華人民共和國節約能源法》), the Measures for Energy Conservation Review of Fixed Asset Investment Projects (《固定資產投資項目節能審查辦法》), the Measures for Energy Conservation Supervision (《節能監察辦法》), the Measures for the Administration of Industrial Energy Conservation (《工業節能管理辦法》), the Electric Power Conservation Measures for Key Energy-Consuming Units (《重點用能單位能源管理辦法》) and other laws. The Company statistically analyzed the data of resource and energy consumption every six months and implemented operation supervision and inspection for targets and indicators of resource and energy consumption.

1.1 Energy management

The Company consumes energy sources and other resources which mainly include gasoline, diesel, natural gas, electricity, water and paper. Gasoline and diesel are mainly used for driving motor vehicles, with a small amount of diesel used for power generation. Natural gas is used at canteens. Electricity is mainly used for office and equipment operations. Water resources mainly include water for domestic use and drinking water. In addition, at offices, the Company consumes office supplies, such as paper.

Environmental, Social and Governance Report

Volume and intensity of energy consumption of the Company

Type	2022	2021	Unit
Electricity	7,967,439.3	8,805,783.6	kilowatt-hours
Gasoline	84.22	88.84	tonnes
Diesel	78.01	127.01	tonnes
Natural gas	399,894	621,940	standard cubic metres
Total energy consumption volume	1,682,129.62	14,374,943.81	kilowatt-hours
Total energy consumption intensity	2,427.32	20,954.73	kilowatt-hours/person

Note: 1. Comprehensive energy consumption is calculated according to the national standard conversion factor of the General Rules for Calculation of Integrated Energy Consumption 《綜合能耗計算通則》(GB/T 2589-2020) based on the consumption volume of gasoline, diesel, natural gas and electricity.

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Based on the development philosophy from rational use and conservation of resources and energy, the Company strives to improve the efficiency of resources and energy, eliminate the abuses and consciously enhance the awareness of saving energy and reducing consumption. The Company used the OA system to build a paperless office and printed paper on double sides for paper consumption. We saved electricity, including turning off unused lights, lighting, unused fans, unused air conditioning and other unnecessary electrical equipment; saved office supplies and equipment, and streamlined meetings and documents, simplified reception, and reduced the use of disposable items. Sharing of vehicles, green travel or public transport were advocated by the Company. Air conditioning should be strictly used to avoid long-term idling, and turned off in time after leaving for more than half an hour. The electrical appliances with lower energy efficiency in the canteens and the stove with large gas consumption were replaced to save the gas volume. The Company adopted remote meetings to reduce the consumption of gasoline for commuting. By putting up and placing propaganda slogans and posters such as “Clean Your Plate Campaign”, we created an atmosphere where waste was a shame and saving was a glory, so as to raise the awareness of conservation among employees. In daily meals, in view of meal waste and other situations, we advocated scientific meals and reasonable matching to avoid waste. All engineering units vigorously developed “Green Ecological Construction”, and adopted a series of new processes and new equipment in the construction and production process to ensure resource conservation and environmental pollution protection.



The resources activities held by the Company

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Case: Energy saving and consumption reduction measures of Xinyue

Energy saving and consumption reduction are of great significance. In the production process of asphalt mixing plant, Xinyue will carry out necessary upgrading and transformation of mixing equipment according to the actual needs, and take corresponding energy saving and consumption reduction measures according to the main purpose of the asphalt mixing plant, effectively reducing the construction cost and improving the competitiveness of the enterprise. For the heating and drying of cold aggregate, control the water content and particle size of stone to reduce the energy consumption. Select heavy oil, diesel and other fuels with high combustion heat value as the preferred fuel for asphalt mixing plant; Reforming the combustion system to save fuel and reduce the combustion cost of the asphalt mixing plant; Correctly adjust and maintain the burner to improve combustion efficiency. Meanwhile, strengthen the thermal insulation of asphalt tanks, pipelines, finished product silos and valves to reduce heat loss and help the mixing plant save energy. In addition, the motor drive adopts frequency conversion technology to reduce the consumption of electric energy and the wear of pump body.

Water resources management

The Company helped all staff to establish the awareness of conservation, enhance the sense of responsibility of water conservation, use energy-saving equipment, recycle water as much as possible, enhance the awareness of water conservation, so as to promote the practical implementation of water conservation. Through water balance monitoring, further improve the utilization rate of water resources and scientifically manage water resources. In 2022, the total water consumption of the Company was 66,752 cubic metres, represented a year-on-year decrease of 32,227.1 cubic metres.

Water consumption volume and intensity of the Company

Type	2021	2022	Unit
Total water consumption volume	98,979.1	66,752	cubic-metre
Total water consumption intensity	132.23	96.32	cubic-metre/ person

Environmental, Social and Governance Report

The management personnel frequently inspected the use of water and electricity facilities in the building, and if there is any damage, repair it in time to reduce waste. The Company regularly summarised the internal water consumption efforts and continued to promote the effective measures of water conservation, and carried out the inspection work of water conservation. In order to create a good atmosphere for the development of water-saving work, the Company produced water-saving propaganda slogans and banners, and post and hang them within the Company. Meanwhile, special columns on water conservation have been set up on the publicity board to publicize and educate on water conservation. The Company actively carried out various forms of publicity activities, widely publicized the national laws and policies on water conservation, publicized the good experience of water conservation, popularized knowledge of water conservation, drove employees to join in water-saving activities, and independently created a strong social atmosphere of energy conservation.

The Company managed water rules for each equipment in each region. At canteens, water mains connected to the cooking ranges are required to be timely turned off when not in use, and are not allowed to keep open all the time. In addition, water is used on a qualitative and quantitative basis according to the properties of raw materials for processing. Unused running water is carried with containers. Water mains connected to the cooking ranges are required to be timely turned off when not in use, and are not allowed to keep open all the time. No water should be kept in water storage tanks overnight. Steamers should be timely cut off from water supply when not in use and excess water in steamers should be removed. Running water is not allowed to be used for defrosting frozen and chilled raw materials. When cleaning the operation areas, the quantity of water we use is adequate just for keeping the areas clean. When cleaning the dining areas, employees are not allowed to splash water on the floor directly and must use damp mops to clean it instead. In addition, the Company sets up water balance monitoring to further improve the utilisation rate of water resources and scientifically manage water resources. The Company sources water is from the municipal water distribution network. In 2022, there was no issue in sourcing water.

Raw materials consumption

Gangtong Co. consumed cement, gravel and asphalt in the course of production and operation, the consumption volume of which are shown in the table below:

Type	2022	2021	Unit
Cement	4,424.48	1,316.82	tonnes
Grave	80,375.55	105,119.29	tonnes
Asphalt	3,342.44	1,890.73	tonnes

Environmental, Social and Governance Report

2. Emission Management

2.1 Solid waste

Hazardous waste discharged by the Company included the waste toner cartridges, waste ink cartridges, waste lamps, waste battery from office process. The non-hazardous waste mainly included paper and domestic waste. For the hazardous waste such as waste toner cartridges and waste ink cartridges, the Company adopts a centralised approach to collect them for treatment. Domestic waste including food waste would be delivered to property company for treatment.

Type		2022	2021	Unit
Hazardous waste	Spent activated carbon	800	/	tonnes
	Toner cartridges	162	214.3	kg
	Ink cartridges	20	71.5	kg
	Fluorescent lamps	80	77.7	kg
	Batteries	50,468	33	
Non-hazardous waste	Paper	4,520	6,821.5	kg
	Domestic waste	30,050	70,270	kg
	Kitchen waste	3,600	/	kg

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Pollutants generated by Shandong Gangtong Construction mainly include non-hazardous waste such as domestic waste, construction waste and scraps. The construction waste and scraps generated during construction are sent to the landfill sites designated by the government for disposal. At all stages of construction work, the Company always attaches great importance to environmental protection, and strictly observes the six 100% standards for construction sites in Jinan City, i.e. the excavated soil materials are fully covered, wet operation method is adopted by using water tankers and fog cannons in earthwork construction, transport vehicles are fully covered, construction sites are fenced off if the condition allows, pioneer roads are hardened and water sprayed, and vehicles accessing plant areas are thoroughly washed. All rubbish cleared from central reservations and side ditches of the expressways are transferred to the environmental hygiene authorities for centralised treatment. After the adoption of the above measures, the solid waste generated from Gangtong Co.'s projects generally meets the objective of 100% safe disposal, ensuring basically no impact on the surrounding environment.

Waste generated from the canteens operated by Shunguang is mainly kitchen waste, which is divided into waste generated from processing of raw food and swills, both of which are non-hazardous waste. The disposal of kitchen waste is carried out by dedicated staff to remove the kitchen waste in time, and is managed and disposed separately on a daily basis. The kitchen waste generated by each operation unit is stored in the respective garbage cans, and the garbage cans must be cleaned in time. Kitchen wastes generated from processing of raw food (such as leaves, roots, viscera, feathers and skins of livestock) are dumped into rubbish bins with lids covered as domestic wastes. Swill wastes (such as food residues, rice, vegetables, soup, pot residues and leftovers of food samples) is dumped into special swill buckets and transported to the storage areas and then collected by sanitation workers for disposal. When transporting garbage, there are appropriate measures to prevent garbage from flying and leaking along the way, each rubbish bins must be kept clean in appearance, no obvious pungent odor, and rubbish bins in the operation units are covered with bags. Discharge of kitchen garbage directly into sewers, public toilets and other domestic garbage collection facilities is strictly forbidden.

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2.2 Exhaust emission

The Company's exhaust emissions are mainly the direct greenhouse gases, sulphur dioxide, nitrogen oxide and particulates emitted from driving business vehicles and construction vehicles during the combustion of gasoline and diesel and from canteens during the combustion of natural gas, the indirect greenhouse gases emitted from the electrical energy consumption during the Company's office processes, equipment operation and heating, and the exhaust gas emitted from the mechanical equipment of Shandong Gangtong Construction. In strict compliance with the Management Practices of Qilu Expressway Company Limited for the Vehicles and Drivers 《齊魯高速公路股份有限公司車輛及駕駛人員管理辦法》, the Company reduces emissions of direct greenhouse gas and exhaust gas by lowering fuel and electricity consumption mainly through business vehicle management.

Particulate matters generated from the mixing plants of Shandong Gangtong Construction arise mainly in the process of feeding materials during production. The Company has adopted water-stable production lines in a closed plant environment equipped with spraying and dust removal devices. The waste is then sent to the environmental authorities for inspection and acceptance, which meets the passing standard. The equipment for gas exhaust has been included into the Jinan Gas Exhaust Pollution Prevention and Control Management System for Nonroad Mobile Machinery and obtained the registration number, with the body of the vehicle sprayed with equipment codes and positioning system installed, to enable the remote supervision by environmental authorities. According to the heavy pollution weather warnings notice issued by the environmental authorities, the entity strictly implemented the requirement on the operating time for machinery during the period when the warning is in force; the discharge standards complied with the national emission standards II or III for the air emission pollution of nonroad mobile machinery; the middle to small construction equipment has been upgraded from fuel powered models to electric tools; qualified fuel suppliers were selected for the engineering machines fuel to ensure fuel quality; old and worn machines were phased out. The Greenhouse gas (GHG) emissions intensity of Gangtong Co. for 2022 was 0.26 t/RMB ten thousand, meeting the target to reduce the greenhouse gas emissions intensity to the objective of 0.25 t/RMB ten thousand in 2022.

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Type	2022	2021	Unit
Sulphur dioxide	148.2	153.60	kg
Nitrogen oxides	154	166.40	kg
Volatile Organic Compound	49.8	/	kg
Volume of direct greenhouse gas emissions (Scope 1)	1,267.33	1,886.42	tonnes carbon dioxide equivalent (tCO ₂ e)
Volume of indirect greenhouse gas emissions (Scope 2)	4,860.93	8,294.16	tonnes carbon dioxide equivalent (tCO ₂ e)
Total greenhouse gas emissions (Scope 1 and 2)	6,128.26	10,180.58	tonnes carbon dioxide equivalent (tCO ₂ e)
Intensity of greenhouse gas emissions	0.02	0.05	tCO ₂ e/RMB ten thousand

Note: 1. The data for the two years in the report follows the formula for calculating GHG emissions of environmental key performance indicators in the Stock Exchange's ESG Reporting Guide in order to compare the annual GHG emissions of the issuer.

2.3 Sewage

The Company strengthens the safety management of wastewater treatment in the whole process, establishing wastewater treatment equipment at each major toll stations. The wastewater would be discharged upon treatment and compliance with relevant standards.

The process of wastewater treatment of the affiliated units of the Company is divided into the following categories: wastewater generated from the car washing stations is reused after sedimentation process in sedimentation tank. The sewage generated during production will go through the sink before being discharged from the drain tunnel. The waste water of the canteen will go through grease trap before being discharged, and remove grease regularly and prevent pollution; the asphalt depot is strictly regulated and managed by dedicated staff to handle the storage, usage and keeping to prevent the oil from polluting the water body. Toilet sewage is discharged after regular centralized treatment. In 2022, waste water discharge volume of the Company was approximately 5,100 cubic meters.

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2.4 Noise

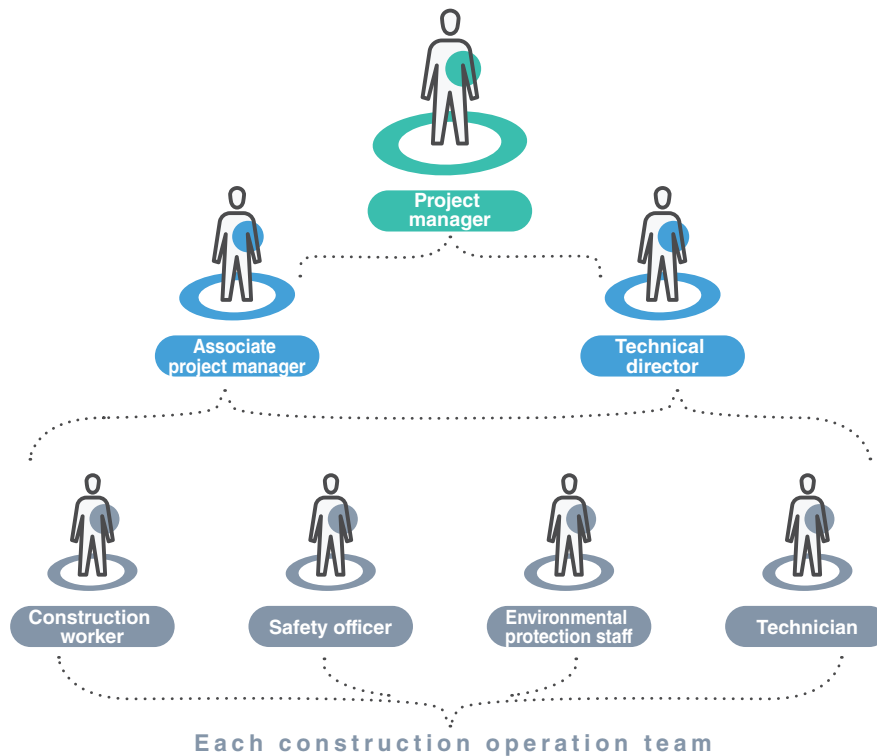
The Company promotes the civilised construction at construction sites, builds an established control management system for noise from human activities, minimizes noise from human activities, enhances the self-awareness of the overall construction staff to prevent noise disturbing residents, enhances the education of the construction workers, establishes internal regulation and system, improves the reward and punishment measures, defines the responsibility of construction staff, imposes punishment on the conduct that violate with the regulation of the civilised construction, rewards the individual with outstanding performance, prohibits noise including yelling and knocking that is irrelevant to the construction. The control of hours of loud operations: arrange construction crafting in a scientific and reasonable manner. The hours of loud operation conducted in the areas with a high density of population should be strictly controlled and arranged to be conducted after 6:00 AM for morning operation and before 10:00 PM for evening operation. Under special circumstances when continuous operation or night-time operation are needed, measures to reduce noise should be taken, communication with nearby residents should be undertaken in advance, and reporting to and filing with relevant competitive department should be made before the construction starts.

Measures to reduce noise generated from machinery that generate intense noise: finished product, semi-finished products processing, manufacturing (such as mortar mixing and manufacturing steel bar) that involves loud noise should be operated inside the plant and workshop to reduce the noise generated from the processing and production in the construction site. If possible, use construction machineries that generate relatively low noise or construction machineries that are equipped with device to mute or reduce noise. Machinery generating intense noise at the construction site (such as blenders, electric saws, electric planers, and grinders) must be modified with sealed mechanical sheds to reduce the spread of intense noise. All those loud machineries should be kept away from residential area and necessary noise reduction facilities should be established, such as noise-proof walls and sealed sheds to reduce the impact of the construction on nearby areas as much as possible. Enhance noise monitoring of the construction site: enhance the long-term supervision of the noise in the environment of the construction site, adopt the principle of specialized staff management and fill the sheet of noise measurement record according to the results of measurements of the construction site. For those that exceeds the standard of Noise Limit of Construction Site (《施工場界噪聲限值》), the relevant factors contributing to the noise of the construction site exceeding the standards should be adjusted in a timely manner until it meets the purpose that the noise generated from the construction does not bother the nearby residents.

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3. Ecological Environment

The Company tried its best to reduce the impact on the environment during the construction process, established a leading group for construction environmental protection, and strengthened the environmental protection work during the construction period. Technical disclosure of environmental protection construction shall be made to the operation teams involved in dust problem, and the dust control work shall be put into practice. The project department shall purchase pure electric fog gun sprinklers to reduce the air pollution caused by fog gun sprinklers. We have made pre-shift education system, trained and educated environmental protection problems in advance, firmly established the idea of environmental protection construction, improved the awareness of environmental protection construction, and enhanced the responsibility of environmental protection construction of construction personnel. We also have strictly implemented the measures issued by the construction unit and the supervisory unit regarding dust control, accepted inspection, and immediately rectified the existing problems. In the course of construction, we have met the requirements of national, local and industry laws and regulations on environmental protection, and reduced packaging materials under the premise of quality assurance. Besides, we have properly kept flammable, explosive, toxic and harmful dangerous goods, and taken preventive measures to prevent fire, explosion and other accidents in the process of storage and transportation from polluting the environment.



Leading group for construction environmental protection

Environmental, Social and Governance Report

Construction and environmental protection highlights of the reconstruction and expansion project of Jihe section of the JiGuang expressway

Cold recycling technology of asphalt pavement

The application of cold recycling technology of asphalt pavement reduces the demand for new material mining in the process of highway reconstruction and expansion in China, and avoids the emission of polluted gas in the heating process of asphalt, which is a major way to respond to the development requirements of national “dual carbon” strategy and realize green highway construction. The waste asphalt pavement is utilized by cold plant mix recycling technology and pavement milling asphalt mixture technology, with the advantages that hot asphalt mixture that cannot be possessed, which can prolong the service life of the original pavement, and can protect the environment, save resources and improve economic benefits by recycling old materials.

Automatic dust spraying system

An automatic dust spraying system is installed at K86+000 of the construction site. The water source of this system comes from the water collected in the water tank, which can minimize the consumption of various raw materials, save energy, water and raw materials. After the spraying facilities are opened, it is sprayed in a very fine atomized state, which will not make the ground muddy and slippery, and avoid secondary pollution. Uniform spraying through this system can maximize the effect of dust reduction of water and reduce the pollution to the environment and air quality. Combined with the car washing platform of the entrance and exit facilities of the construction site, it is ensured that there is no dust phenomenon when the muck transport vehicles are driving on the sidewalk, and that the tires and chassis of the vehicles are cleaned when entering and leaving the sidewalk, and it is forbidden to take mud on the road. The application of automatic dust spraying system greatly reduces construction energy consumption and saves construction cost.

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4. Climate Change

Climate change is a serious and growing threat to human well-being and the health of the earth. Being in the transportation industry, the Company is well aware of the impact of climate change and extreme weather on the business it operates. At the same time, the Company actively responded to the national “dual carbon” goal, practiced the sustainable development concept of green and low-carbon operation, and actively carried out climate change response work, so as to minimize the risks brought by climate change, including traffic accidents, employee casualties, construction effects, secondary disasters, etc.. The risk management and control of climate change has been incorporated into the daily management work of the Company. In 2022, in response to climate change, the Company has vigorously carried out the following measures: according to the geographical location and topography of Shandong Province, we have analyzed the risk of highway operation under extreme weather, formulated special emergency plans, further enhanced collaboration with meteorological departments and traffic police, and meanwhile improved the emergency response equipment and management mechanism of each road section management office, and strengthened staff training on emergency handling. Then the Company has improved energy utilisation technology and energy utilization efficiency, used new energy, carried out afforestation, advocated vehicles sharing, reduced automobile exhaust emissions, etc., and reduced carbon dioxide emissions. In addition, the Company has increased its efforts in information technology, such as 5G and big data, enriched information distribution channels and timely released road condition information to reduce the impact of bad weather on traffic.

Case: Use of solar energy to heat asphalt by Gangtong Co.

In 2022, the Company boldly innovatively utilized the trough technology of transplanting solar energy to collect heat at medium and high temperature, and innovatively used solar energy to directly heat the thermal oil, thus realizing asphalt thermal insulation and heating. At the same time, it is compatible with the original heating system, and can realize various modes such as independent heating by solar energy, combination of solar energy and gas, and independent heating by gas under different solar irradiation conditions. Finally, renewable clean energy will completely or partially replace fossil energy such as natural gas and fuel oil, greatly reducing carbon emissions and energy consumption. The trough system designed according to the heating requirement of asphalt mixture with an annual output of 200,000 tonnes can save RMB300,000-500,000 of gas and reduce carbon emissions by more than 200 tonnes per year based on the solar irradiation intensity of the project site.



Environmental, Social and Governance Report

Case: Notice on severe weather precautions issued by operation dispatch centre

The operation dispatch centre regularly checks meteorological station in Shandong, and timely issues a notice to the ownership unit if bad weather is found. On 17 August 2022, a notice was issued to all ownership units, departments and offices of the headquarters and project offices to strengthen the prevention of heavy rainfall and bad weather. According to the meteorological forecast of a meteorological observatory of Shandong Province, all units were required to take precautions against bad weathers in the next few days including thunderstorms or showers in most regions of the province, moderate to heavy rain and localized thunderstorms in some southern regions of Shandong and other notable weather events. In addition, it was ensured that emergency workers and materials were put in place and handled emergency events in time; it examined all outdoor billboards, toll station canopies, outdoor cables, street trees, etc., and took measures such as reinforcement and felling to prevent accidents such as collapse and scraping; it strengthened road inspections on road sections under its jurisdiction, rationally allocated personnel, materials and equipment, and focused on prevention of accident-prone road sections; all vehicles and equipment were stored indoors as far as possible, and the stored flood control materials were covered away from walls, dead trees, billboards, etc..



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INDEX TABLE

APPENDIX: INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

	Environmental, Social and Governance Reporting Guide	Reporting Content
Subject Areas A. Environmental		
Aspect A1: Emissions		
A1	General disclosure Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Management
A1.1	The types of air emissions and respective emissions data. (Including ozone-depleting substances and major air polluting substance).	Emission Management
A1.2	Direct (Scope 1) and indirect energy (Scope 2) greenhouse gas emissions (tonnes) and (if applicable) density (such as per production unit, per item facility).	Emission Management
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
A1.5	Description emissions goals established and the procedures taken to achieve such goals.	Emission Management
A1.6	Description of methods to dispose of hazardous and non-hazardous wastes and the description of the waste reduction goals and the procedures taken to achieve such goals.	Emission Management
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ' 000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
A2.3	Description of energy use efficiency goals and the procedures taken to achieve such goals.	Use of Resources
A2.4	Description of whether there is any issue in sourcing applicable, the water use efficiency goals and the procedures taken to achieve such goals.	Use of Resources

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A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Ecological Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Ecological Environment
Aspect A4: Climate Change		
A4	General disclosure Identification and handling of the significant policies of matters related to climate that might have impact on the issuers.	Climate Change
A4.1	Description of significant matters related to climate that might have impact on the issuers and responding activities.	Climate Change
Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	Employee Responsibility
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Responsibility
B1.2	Loss rate of employee by gender, age group and geographical region.	Employee Responsibility
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Responsibility
B2.1	Number and rate of work-related fatalities in the past three years (including the reporting year).	Employee Responsibility
B2.2	Lost days due to work injury.	Employee Responsibility

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B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Responsibility
Aspect B3: Development and Training		
B3	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external programs paid by the employer.	Employee Responsibility
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Responsibility
B3.2	The average training hours completed per employee by gender and employee category.	Employee Responsibility
Aspect B4: Labour Standard		
B4	General Disclosure information relating to preventing child and forced labour: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Employee Responsibility
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Responsibility
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Responsibility
Aspect B5: Supply Chain Management		
B5.1	Number of suppliers by geographical region.	Win-win Cooperation
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Win-win Cooperation
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Win-win Cooperation
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Win-win Cooperation
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Customer Service
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A

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B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Safe Operation
B6.4	Description of quality assurance process and recall procedures.	Safe Operation
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Safe Operation
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity
B7.3	Description of anti-corruption training provided to directors and staff.	Integrity
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Welfare

Independent Auditor's Report



To the members of Qilu Expressway Company Limited

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

OPINION

We have audited the consolidated financial statements of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 188 to 296, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter (continued)	How our audit addressed the key audit matter
<p>Amortisation of service concession arrangements</p> <p>As stated in note 2.4 to the financial statements, as at 31 December 2022, the carrying amount of the service concession arrangements associated with toll roads was RMB6,205,373,000 and the amortisation amount of the service concession arrangements in 2022 was RMB237,628,000. The service concession arrangements associated with toll roads are amortised over the operating period of the toll roads according to the traffic volume method. Amortisation is provided on projected units-of-usage, which is calculated based on the total projected traffic volume during the operating period of each toll road and the carrying amount of the franchise rights associated with toll roads, combined with the actual traffic volume during each accounting period. The total projected traffic volume refers to the forecast of the management for the total traffic volume during the operating period, which is a significant accounting estimate. Therefore, we identified the amortisation of service concession arrangements as a key audit matter of the consolidated financial statements.</p> <p>Relevant disclosures are included in notes 2.4 and 16 to the consolidated financial statements.</p>	<p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> • We considered whether the amortisation methodology adopted by the Group represented the best expected future economic benefits of the Group; • We evaluated the estimated projected total traffic volume of the Group's expressways and assessed the reasonableness of these estimates; • We analysed the key assumptions used by management in the estimated total traffic volume, such as the Gross Domestic Product ("GDP") growth rate, impact of other road networks in the same area, impact of renovations and expansions; • We recalculated the amortisation of service concession arrangements to check the amortisation disclosed in the consolidated financial statements, and • We assessed the adequacy of the related disclosures in the consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter (continued)	How our audit addressed the key audit matter
<p>Provision for maintenance and resurfacing obligations</p> <p>The Group has contractual obligations to maintain and restore the infrastructure under the service concession arrangements to maintain the toll road infrastructure to a specified performance of serviceability.</p> <p>The Group's provision for maintenance and resurfacing obligations amounted to approximately RMB122,992,000 as at 31 December 2022 with maintenance.</p> <p>In determining such provision, management has estimated the relevant maintenance and resurfacing costs based on the physical condition of the toll road infrastructure as at the end of the reporting period, with reference to the evaluation performed by technicians.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 28 to the consolidated financial statements.</p>	<p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> • We assessed the competency, capability, and objectivity of the technicians; • We obtained the evaluation reports and understood the methodologies adopted by the technicians and compared with methodologies adopted by other technicians for similar activities in the industry; • We compared the nature of the proposed maintenance activities as set out in the evaluation reports, on a sample basis, with the relevant technical specifications of toll road maintenance issued by the regulator, and assessed the reasonableness of the estimated maintenance and resurfacing costs by comparing with the historical data of comparable maintenance activities; and • We checked the calculation of provisions for maintenance and resurfacing obligations to evaluate mathematical accuracy.

Independent Auditor's Report (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young

Certified Public Accountants

Hong Kong

24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	2,931,294	1,995,309
Cost of sales		(1,771,907)	(671,628)
Gross profit		1,159,387	1,323,681
Other income and gains	5	56,396	20,569
Administrative expenses		(77,233)	(69,360)
Impairment losses on contract assets		(1,233)	(1,720)
Other expenses		(12,763)	(4,306)
Finance costs	7	(95,739)	(127,408)
Share of profits and losses:			
Joint ventures		9,609	–
An associate		3,097	364
PROFIT BEFORE TAX	6	1,041,521	1,141,820
Income tax expense	10	(261,465)	(288,386)
PROFIT FOR THE YEAR		780,056	853,434
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		780,056	853,434
Attributable to:			
Owners of the parent		781,691	853,434
Non-controlling interest		(1,635)	–
		780,056	853,434
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	12	RMB0.39	RMB0.43
Diluted			
– For profit for the year	12	RMB0.39	RMB0.43

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	293,588	309,030
Investment properties	14	20,290	19,674
Right-of-use assets	15(a)	94,921	73,718
Intangible assets	16	6,304,274	5,376,248
Investment in joint ventures	17	261,002	–
Investment in an associate	18	24,434	21,338
Deferred tax assets	29	4,081	1,941
Long-term deposits	24	410,196	–
Prepayments, other receivables and other assets	21	586,479	2,787
Total non-current assets		7,999,265	5,804,736
CURRENT ASSETS			
Inventories	19	17,355	3,917
Trade and bills receivables	20	419,143	132,733
Contract assets	22	70,887	59,009
Other current assets	21	167,931	10,414
Prepayments and other receivables	21	52,892	34,600
Financial assets at fair value through profit or loss	23	1,004,873	–
Restricted cash	24	609	–
Cash and cash equivalents	24	679,607	587,477
Total current assets		2,413,297	828,150
CURRENT LIABILITIES			
Trade and bills payables	25	311,943	148,645
Other payables	26	311,590	178,344
Interest-bearing bank and other borrowings	27	339,843	352,148
Lease liabilities	15(b)	3,235	2,870
Tax payable		18,635	54,472
Provision	28	123,024	163,800
Total current liabilities		1,108,270	900,279

continued/...

Consolidated Statement of Financial Position (Continued)

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		1,305,027	(72,129)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,304,292	5,732,607
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	3,425,261	2,223,810
Lease liabilities	15(b)	70,206	73,041
Other payables	26	20,908	22,562
Deferred tax liabilities	29	57,465	20,940
Deferred income		2,462	–
Total non-current liabilities		3,576,302	2,340,353
Net assets		5,727,990	3,392,254
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	2,000,000	2,000,000
Financial instruments classified as equity	31	1,812,283	–
Other reserves	32	225,758	147,198
Retained earnings		1,571,531	1,245,056
		5,609,572	3,392,254
Non-controlling interest		118,418	–
Total equity		5,727,990	3,392,254

Wang Zhenjiang

Director

Peng Hui

Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2022

Note	Attributable to owners of the parent						Total Equity RMB'000
	Share capital RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	
At 1 January 2021	2,000,000	-	61,619	837,201	2,898,820	-	2,898,820
Profit for the year	-	-	-	853,434	853,434	-	853,434
Total comprehensive income for the year	-	-	-	853,434	853,434	-	853,434
Final 2020 dividend declared	-	-	-	(360,000)	(360,000)	-	(360,000)
Transfer from retained earnings	-	-	85,579	(85,579)	-	-	-
At 31 December 2021 and 1 January 2022	2,000,000	-	147,198	1,245,056	3,392,254	-	3,392,254
Profit for the year	-	-	-	781,691	781,691	(1,635)	780,056
Total comprehensive income for the year	-	-	-	781,691	781,691	(1,635)	780,056
Capital injection by a non-controlling shareholder	-	-	-	-	-	120,053	120,053
Issuance of perpetual bonds, net	-	1,795,627	-	-	1,795,627	-	1,795,627
Profit distribution to holders of perpetual bonds	-	16,656	-	(16,656)	-	-	-
Final 2021 dividend declared	11	-	-	(360,000)	(360,000)	-	(360,000)
Transfer from retained earnings	-	-	78,560	(78,560)	-	-	-
At 31 December 2022	2,000,000	1,812,283	225,758	1,571,531	5,609,572	118,418	5,727,990

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,041,521	1,141,820
Adjustments for:			
Finance costs	7	95,739	127,408
Share of profits and losses of an associate and joint ventures		(12,706)	(364)
Interest income from financial assets at fair value through profit or loss	5, 6	(8,324)	(8,965)
Fair value gains from financial assets at fair value through profit or loss	5, 6	(4,873)	–
Bank interest income	5, 6	(36,786)	(4,295)
(Gain)/loss on disposal of items of property, plant and equipment	6	(284)	31
Depreciation of property, plant and equipment	6	55,910	48,780
Depreciation of investment properties	6, 14	914	885
Depreciation of right-of-use assets	6, 15	4,748	4,455
Amortisation of intangible assets	6, 16	239,108	291,350
Impairment of trade receivables	6, 20	8,803	4,051
Impairment of contract assets	6, 22	1,233	1,720
Impairment provided/(reversed) of prepayments and other receivables	6, 21	16	(169)
Foreign exchange differences, net	5, 6	3,874	355
Increase in inventories		(13,438)	(41)
Increase in trade and bills receivables		(295,213)	(53,687)
Increase in contract assets		(13,111)	(57,463)
Increase in prepayments, other receivables and other assets		(197,796)	(10,744)
Increase in trade and bills payables		30,659	60,604
Increase in other payables and accruals		105,797	114,686
Decrease in provisions		(40,776)	(13,668)
Increase in deferred income		2,462	–
Increase in restricted cash		(609)	–
Cash generated from operations		966,868	1,646,749
Interest received		26,528	4,295
Income tax paid		(262,917)	(304,154)
Net cash flows from operating activities		730,479	1,346,890

continued/...

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2022

Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment, intangible assets and right-of-use assets	(1,492,386)	(135,250)
Proceeds from disposal of items of property, plant and equipment	484	22
Purchases of financial assets at fair value through profit or loss	(2,200,000)	(972,300)
Proceeds from disposal of financial assets at fair value through profit or loss	1,200,000	1,434,536
Investment in a joint venture	(261,000)	–
Dividends received from a joint venture	7,892	–
Interest received from financial assets at fair value through profit or loss	8,823	12,225
Other payments relating to investing activities	(403,891)	(2,760)
Net cash flows (used in)/from investing activities	(3,140,078)	336,473
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other loans	1,553,995	–
Proceeds from issuance of perpetual bonds	1,795,627	–
Repayment of bank loans	(365,852)	(680,517)
Principal portion of lease payments	(3,106)	(2,928)
Interest portion of lease payments	(3,534)	(3,666)
Interest paid of bank loans and other loans	(90,096)	(123,151)
Dividends paid	(360,000)	(360,000)
Other financing activities	(21,431)	–
Net cash flows from/(used in) financing activities	2,505,603	(1,170,262)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	587,477	74,731
Effect of foreign exchange rate changes, net	(3,874)	(355)
CASH AND CASH EQUIVALENTS AT END OF YEAR	679,607	587,477

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	677,084	582,027
Time deposits	24	2,523	5,450
<hr/>			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	679,607	587,477
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Cash and cash equivalents as stated in the consolidated statement of cash flows		679,607	587,477
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Notes to Financial Statements

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

Qilu Expressway Company Limited (the “Company”) was registered in the People’s Republic of China (the “PRC”) on 6 January 2004 as a limited liability company. On 6 December 2016, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company’s registered office is Room 2301, Block 4, Zone 3, Hanyu Financial & Business Center, No.7000, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (“HKEX”) on 19 July 2018.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the construction, maintenance, operation and management of the Jihe Expressway, Deshang Expressway (Liaocheng – Fan County section) (“Deshang Expressway”) and Shennan Expressway in the PRC and engaged in the sale of industrial products in Shandong Province.

Pursuant to a concession agreement (the “Concession Agreement”) entered into between the Company and the Shandong Provincial Traffic Transport Department (山東省交通運輸廳) (“Shandong Transport Department”) on 26 September 2004, the Company, which engages in the construction, maintenance, operation and management of the Jihe Expressway in Shandong Province in the PRC, is entitled to toll collection from vehicles passing through the Jihe Expressway for a period of 30 years, from 26 September 2004 to 25 September 2034.

Pursuant to a transfer agreement (the “Transfer Agreement”) entered into between the Company and Qilu Transportation Development Group Company Limited (“Qilu Transportation”) on 2 June 2020, the Company acquired the toll collection rights of Deshang Expressway and Shennan Expressway from Qilu Transportation. The Company engages in the maintenance, operation and management of Deshang Expressway and Shennan Expressway in Shandong Province in the PRC, and is entitled to toll collection from vehicles passing through Deshang Expressway and Shennan Expressway from 1 January 2020 to 15 November 2040 and 27 September 2043 respectively.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

In the opinion of the directors, the ultimate holding company of the Company is Shandong Hi-Speed Group Company Limited (“Shandong Hi-Speed”).

Shandong Hi-Speed, which was established in Jinan, Shandong Province, the PRC and is owned by the State-owned Assets Supervision and Administration Commission of the Shandong Provincial Government.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shandong Shunguang Industrial Development Co., Ltd.* (山東舜廣實業發展有限公司) ("Shunguang Industrial")	PRC/Mainland China	RMB100,000,000	100	–	Outdoor advertising production and distribution, and sale of materials for construction
Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司) ("Qilu Hong Kong")	Hong Kong	HKD10,000,000	100	–	Construction, maintenance, and operation of expressways
Shandong Gangtong Construction Company Limited* (山東港通建設有限公司) ("Shandong Gangtong")	PRC/Mainland China	RMB120,000,000	100	–	Construction contracting
Shandong Ganglong Technology Development Company Limited* (山東港隆科技發展有限公司) ("Ganglong Technology")	PRC/Mainland China	HKD10,000,000	–	100	Sale of materials for construction

Notes to Financial Statements (Continued)

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qilu Expressway (Shandong) Investment Management Company Limited* (齊魯高速(山東)投資管理 有限公司) (“Qilu Expressway Investment”)	PRC/Mainland China	RMB500,000,000	100	–	Investment activity and management consulting
Qilu Expressway (Shandong) Assembly Company Limited* (齊魯高速(山東)裝配有限公司) (“Qilu Assembly”)	PRC/Mainland China	RMB500,000,000	–	60	Sale of materials for construction

* The English names of the entities represent the best effort made by the directors of the Company in translating the Chinese names as they do not have English names, and are for reference only. These entities are all registered as domestic limited liability companies under PRC law.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
HKFRS 17	<i>Insurance Contract¹</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{1,5}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information⁶</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)^{2, 4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>

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

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

³ No mandatory effective date yet determined but available for adoption

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investment, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results of the associates and joint ventures are included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer a liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value are measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows as follows:

Buildings	5 to 40 years
Ancillary equipment	10 years
Machinery, expressway property and electronic equipment	3 to 20 years
Motor vehicles	4 to 8 years
Office and other equipment	1 to 13 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line method to write off the cost of each investment property over its estimated useful life of 27 years.

A transfer should be made from property, plant and equipment to investment properties when owner-occupation ceases. A transfer should be made from investment properties to property, plant and equipment at the commencement of owner-occupation.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Service concession arrangements

Service concession arrangements represent the rights to charge users of the public service that the Group obtained under the Concession Arrangement and the Transfer Agreement. The Group has entered into the Concession Arrangement and the Transfer Agreement with local government authorities (the "Grantor") and Qilu Transportation respectively for its participation in the construction, maintenance, operation and management of various toll road infrastructure. Under the Concession Arrangement, the Group carries out the construction or upgrade work of the toll road for the Grantor. Pursuant to the Transfer Agreement, the Group is responsible for the operation, maintenance and management of the toll roads. In return, the Group receives in exchange of the right to operate the toll roads concerned and entitlement to the toll collection from users of the toll roads services (the "Service Concessions"). The Group recorded the assets under the Service Concessions, including toll roads and relevant various infrastructure on them, as "concession intangible assets" on the consolidated statement of financial position, to the extent that it received a right to charge users of the public service. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction and upgrade services provided under the Concession Arrangement or the fair value of the consideration paid in exchange for the construction and upgrade services provided by Qilu Transportation, which has been absorbed by Shandong Hi-Speed, less accumulated amortisation and any impairment losses.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Service concession arrangements (continued)

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset.

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the period from the official opening of the toll road to traffic to the concession period up still 31 May 2021. The amortisation method changed from straight-line method to traffic volume method from 1 June 2021 which is based on the share of traffic volume in a particular period over the projected total traffic volume throughout the remaining periods for which the Group is granted the right to operate those concession intangible assets.

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. During the concession periods, the Group is required by the respective Concession Arrangements and Transfer Agreement to maintain the concession intangible assets in specific conditions. At the end of the concession period, the Group is required to return the concession intangible assets to the Grantor. The Group does not have rights to receive any assets at the end of the concession period.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Mining rights

Mining rights are amortised within economically recoverable reserves by the production method. Economically recoverable reserves are based on relevant mine standards estimated reserves estimate.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Buildings	2 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises purchase cost, processing cost and other cost. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Provision of road operation services

Revenue from the provision of road operation services is recognised when the vehicles through the expressway and the Group has received the payment or has the right to receive payment.

(b) Provision of construction and upgrade services of expressways

Revenue from construction and upgrade services provided under the Concession Arrangements is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset. The revenue is recognised over time, using an input method to measure progress towards completion satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of construction contracting services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(d) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products. Some contracts for the sale of industrial products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits

Defined contribution pension schemes

Each company of the Group contributes on a monthly basis to defined contribution pension schemes in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions pension schemes are charged to profit or loss as they become payable to the schemes. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

As stipulated by the laws and regulations in the PRC, the Group contributes to the state-sponsored retirement scheme for its employee in the PRC (i.e. pension insurance). The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), while the Group contributes 16% of such relevant income since May 2019, subject to certain ceiling. The Group has been exempted from pension insurance due to the impact of COVID-19 from 1 February to 31 December 2020. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

In addition to the government-sponsored defined contribution pension scheme, the Group operates an additional employee pension scheme. All employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Housing fund

According to the relevant rules and regulations of the Shandong Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes to Financial Statements (Continued)

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Measuring progress of construction and upgrade services provided

The Group recognises revenue from construction and upgrade services provided in accordance with HKFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction and upgrade revenue on the basis of the costs incurred to satisfy the performance obligation relative to the total expected costs incurred to the satisfaction of that performance obligation of construction and upgrade service work, which requires estimation to be made by management. The total expected costs and the corresponding contract revenue are estimated by management.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for maintenance obligations

The Group has contractual obligations under the Concession Arrangements and the Transfer Agreement to maintain the toll road infrastructure to a specified performance of serviceability during the concession periods and at the end of the concession periods. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

In determining such provision, management has estimated the expected costs to maintain and resurface the infrastructure to a specified performance of serviceability by reference to the evaluation performed by internal technicians.

The internal technicians, based on their factual findings on the physical condition of the toll road infrastructure as at the reporting period end, performed their evaluation according to the relevant government or industry specifications as set out in the standards issued by the regulator, to derive the proposed maintenance activities. Management has estimated the relevant maintenance and resurfacing costs according to the proposed maintenance activities, by reference to management's maintenance plan and the Group's historical costs incurred for similar activities.

Useful lives of items of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Amortisation of service concession arrangements

The amortisation of service concession arrangements changed from straight-line method to traffic volume method from 1 June 2021, which is based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road networks within the same area.

Management engaged independent professional traffic consultants to perform an estimation of the projected total traffic volume throughout the concession periods of the respective service concession arrangements. The Group reviewed it regularly with the actual traffic volume. If the projection was considered inappropriate, independent professional traffic studies would be performed. Appropriate adjustment would be made in the case of a material change in the projected total traffic volume.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets and income tax

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections at the end of the reporting period. If the final assumptions and profit were to be different from management's current estimates, the Group would account for the change prospectively.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 13 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 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.

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

Geographical information

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

Information about major customers

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

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

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2022 RMB'000	2021 RMB'000
Types of revenue		
Expressway business	1,559,161	1,772,904
Construction business	1,091,834	180,516
Sale of industrial products	266,993	34,878
Other businesses	8,643	2,234
Total revenue from contracts with customers	2,926,631	1,990,532

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
At a point in time	1,834,797	1,810,016
Over time	1,091,834	180,516
Total revenue from contracts with customers	2,926,631	1,990,532

Notes to Financial Statements (Continued)

Year ended 31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) *Disaggregated revenue information (continued)*

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

	2022 RMB'000	2021 RMB'000
Construction services	28	689

(b) *Performance obligations*

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

Expressway business

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

Construction business

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

Sale of industrial products

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sale of industrial products (continued)

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Construction costs		1,088,920	145,391
Cost of inventories sold		253,998	34,533
Maintenance and resurfacing costs and provisions	28	–	35,542
Employee benefit expense (including directors' and chief executive's remuneration) (note 8):			
Wages, salaries and allowances, social security and benefits		136,470	124,165
Defined contribution pension schemes		18,558	16,986
Other staff benefits		11,120	8,073
		166,148	149,224
Depreciation in respect of:			
– property, plant and equipment	13	56,431	48,780
– less: capitalisation		(521)	–
– investment properties	14	914	885
– right-of-use assets	15	4,748	4,455
Amortisation of intangible assets in respect of:			
– service concession arrangements	16	237,628	289,950
– software	16	1,480	1,400
(Gain)/loss on disposal of items of property, plant and equipment		(284)	31
Impairment of trade receivables	20	8,803	4,051
Impairment provided/(reversed) of financial assets included in prepayments and other receivables	21	16	(169)
Impairment of contract assets	22	1,233	1,720
Auditor's remuneration		1,560	1,580
Foreign exchange differences, net		3,874	355
Interest income from financial assets at fair value through profit or loss	5	(8,324)	(8,965)
Fair value gains from financial assets at fair value through profit or loss	5	(4,873)	–
Bank interest income	5	(36,786)	(4,295)

Notes to Financial Statements (Continued)

Year ended 31 December 2022

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest expenses on interest-bearing bank borrowings and other loans	91,099	122,559
Interest on lease liabilities (note 15(b))	3,534	3,666
Accreted interest on amounts due to Shandong Hi-Speed	1,106	1,183
	95,739	127,408

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	720	600
Other emoluments:		
Salaries, allowances and benefits in kind	1,775	1,911
Performance related bonuses	3,689	2,596
Defined contribution pension schemes	500	433
	5,964	4,940
	6,684	5,540

Notes to Financial Statements (Continued)

Year ended 31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The names of the directors and supervisors and their remuneration during the year are as follows:

	Notes	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
2022						
<i>Chairman of the board:</i>						
Mr. Zhenjiang Wang		-	168	987	-	1,155
<i>Executive directors:</i>						
Mr. Hui Peng		-	167	987	-	1,154
Mr. Qiang Liu		-	126	753	-	879
		-	293	1,740	-	2,033
<i>Non-executive directors:</i>						
Mr. Dalong Chen		-	-	-	-	-
Mr. Shaochen Wang		-	-	-	-	-
Mr. Xiaodong Su		-	-	-	-	-
Mr. Jinglei Shi	i	-	-	-	-	-
Mr. Haolai Tang	ii	-	-	-	-	-
Mr. Cenyu Zhou		-	-	-	-	-
Ms. Xia Kong		-	-	-	-	-
Mr. Zhongming Du		-	-	-	-	-
<i>Chairman of the board of supervisors:</i>						
Ms. Xin Meng		-	-	-	-	-
<i>Supervisors:</i>						
Mr. Yongfu Wu		-	-	-	-	-
Mr. Yin Zhang		-	-	-	-	-
Mr. Shun Wang		-	91	445	-	536
Mr. Dehong Hao		-	115	259	3	377
Ms. Qinghong Hou		-	111	259	3	373
Mr. Ruzhi Li		120	-	-	-	120
Mr. Qinghui Meng		120	-	-	-	120
		240	317	963	6	1,526
<i>Independent non-executive directors:</i>						
Mr. Xuezhao Cheng		120	-	-	-	120
Mr. Hua Li	iii	-	-	-	-	-
Mr. Lingfang Wang		120	-	-	-	120
Mr. Jiale He		120	-	-	-	120
Mr. Ping Han		120	-	-	-	120
		480	-	-	-	480
		720	778	3,690	6	5,194

Notes to Financial Statements (Continued)

Year ended 31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Note	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Welfare expenses RMB'000	Total RMB'000
2021						
<i>Chairman of the board:</i>						
Mr. Zhenjiang Wang		-	75	175	3	253
Mr. Gang Li		-	82	482	24	588
		-	157	657	27	841
<i>Executive directors:</i>						
Mr. Hui Peng		-	138	647	27	812
Mr. Qiang Liu		-	102	433	24	559
		-	240	1,080	51	1,371
<i>Non-executive directors:</i>						
Mr. Dalong Chen		-	-	-	-	-
Mr. Shaochen Wang		-	-	-	-	-
Mr. Xiaodong Su		-	-	-	-	-
Mr. Haolai Tang	ii	-	-	-	-	-
Mr. Cenyu Zhou		-	-	-	-	-
Ms. Xia Kong		-	-	-	-	-
Mr. Zhongming Du		-	-	-	-	-
<i>Chairman of the board of supervisors:</i>						
Ms. Xin Meng		-	-	-	-	-
<i>Supervisors:</i>						
Mr. Yongfu Wu		-	-	-	-	-
Mr. Yin Zhang		-	-	-	-	-
Mr. Shun Wang		-	111	428	17	556
Mr. Dehong Hao		-	79	216	17	312
Ms. Qinghong Hou		-	71	215	16	302
Mr. Ruzhi Li		120	-	-	-	120
Mr. Qinghui Meng		120	-	-	-	120
		240	261	859	50	1,410
<i>Independent non-executive directors:</i>						
Mr. Xuezhao Cheng		120	-	-	-	120
Mr. Hua Li		120	-	-	-	120
Mr. Lingfang Wang		120	-	-	-	120
Mr. Jiale He		120	-	-	-	120
Mr. Ping Han		120	-	-	-	120
		600	-	-	-	600
		840	658	2,596	128	4,222

Notes to Financial Statements (Continued)

Year ended 31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2022				
<i>Chairman of the board:</i>				
Mr. Zhenjiang Wang	80	108	100	288
<i>Executive directors:</i>				
Mr. Hui Peng	81	108	100	289
Mr. Qiang Liu	79	95	96	270
	160	203	196	559
<i>Non-executive directors:</i>				
Mr. Dalong Chen	-	-	-	-
Mr. Shaochen Wang	-	-	-	-
Mr. Xiaodong Su	-	-	-	-
Mr. Jinglei Shi	-	-	-	-
Mr. Haolai Tang	-	-	-	-
Mr. Cenyu Zhou	-	-	-	-
Ms. Xia Kong	-	-	-	-
Mr. Zhongming Du	-	-	-	-
	-	-	-	-
<i>Chairman of the board of supervisors:</i>				
Ms. Xin Meng	-	-	-	-
<i>Supervisors:</i>				
Mr. Yongfu Wu	-	-	-	-
Mr. Yin Zhang	-	-	-	-
Mr. Shun Wang	66	72	63	201
Mr. Dehong Hao	73	79	70	222
Ms. Qinghong Hou	73	78	71	222
Mr. Ruzhi Li	-	-	-	-
Mr. Qinghui Meng	-	-	-	-
	212	229	204	645
<i>Independent non-executive directors:</i>				
Mr. Xuezhao Cheng	-	-	-	-
Mr. Hua Li	-	-	-	-
Mr. Lingfang Wang	-	-	-	-
Mr. Jiale He	-	-	-	-
Mr. Ping Han	-	-	-	-
	-	-	-	-
	452	540	500	1,492

Notes to Financial Statements (Continued)

Year ended 31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	Note	Social security, housing fund and trade union fee contributed by staff RMB'000	Social security and housing fund contributed by Company RMB'000	Defined contribution pension schemes RMB'000	Total RMB'000
2021					
<i>Chairman of the board:</i>					
Mr. Zhenjiang Wang		32	50	43	125
Mr. Gang Li		40	41	41	122
		72	91	84	247
<i>Executive directors:</i>					
Mr. Hui Peng		72	91	84	247
Mr. Qiang Liu		71	83	80	234
		143	174	164	481
<i>Non-executive directors:</i>					
Mr. Dalong Chen		–	–	–	–
Mr. Shaochen Wang		–	–	–	–
Mr. Xiaodong Su		–	–	–	–
Mr. Haolai Tang	ii	–	–	–	–
Mr. Cenyu Zhou		–	–	–	–
Ms. Xia Kong		–	–	–	–
Mr. Zhongming Du		–	–	–	–
		–	–	–	–
<i>Chairman of the board of supervisors:</i>					
Ms. Xin Meng		–	–	–	–
<i>Supervisors:</i>					
Mr. Yongfu Wu		–	–	–	–
Mr. Yin Zhang		–	–	–	–
Mr. Shun Wang		66	72	63	201
Mr. Dehong Hao		64	70	61	195
Ms. Qinghong Hou		63	70	61	194
Mr. Ruzhi Li		–	–	–	–
Mr. Qinghui Meng		–	–	–	–
		193	212	185	590
<i>Independent non-executive directors:</i>					
Mr. Xuezhao Cheng		–	–	–	–
Mr. Hua Li		–	–	–	–
Mr. Lingfang Wang		–	–	–	–
Mr. Jiale He		–	–	–	–
Mr. Ping Han		–	–	–	–
		–	–	–	–
		408	477	433	1,318

Notes to Financial Statements (Continued)

Year ended 31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes:

- (i) Mr. Jinglei Shi was appointed as non-executive directors in 11 March 2022.
- (ii) Mr. Haolai Tang resigned as non-executive directors in 20 January 2022.
- (iii) Mr. Hua Li resigned from his position as an independent non-executive director of the Company on 21 April 2022. Such resignation shall take effect from the date on which the new independent non-executive director to be appointed by the Company takes office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	908	847
Performance related bonuses	2,259	1,299
Defined contribution pension schemes	287	240
	3,454	2,386

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	3	–
	3	3

No emoluments were paid by the Group to any of the above non-director or non-supervisor highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

10. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2021: nil).

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

	2022 RMB'000	2021 RMB'000
Current – Mainland China		
Charge for the year	226,600	275,761
Underprovision in prior years	480	3,104
Deferred (note 29)	34,385	9,521
Total tax charge for the year	261,465	288,386

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

11. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Proposed final – RMB0.180 (2021: RMB0.180) per ordinary share	360,000	360,000

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,000,000,000 (2021: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 (2021: nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery, expressway property and electronic equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	95,498	7,218	440,135	21,148	67,945	1,540	633,484
Accumulated depreciation and impairment	(14,876)	(4,355)	(255,701)	(11,997)	(37,525)	-	(324,454)
Net carrying amount	80,622	2,863	184,434	9,151	30,420	1,540	309,030
At 1 January 2022, net of accumulated depreciation and impairment	80,622	2,863	184,434	9,151	30,420	1,540	309,030
Additions	5,463	-	12,541	3,147	961	19,686	41,798
Disposals	-	-	(42)	(157)	(1)	-	(200)
Depreciation provided during the year	(3,828)	(548)	(48,039)	(2,453)	(1,563)	-	(56,431)
Transfers	4,183	-	22,377	2,700	(23,634)	(6,235)	(609)
At 31 December 2022, net of accumulated depreciation and impairment	86,440	2,315	171,271	12,388	6,183	14,991	293,588
At 31 December 2022:							
Cost	107,948	7,218	489,868	30,358	20,815	14,991	671,198
Accumulated depreciation and impairment	(21,508)	(4,903)	(318,597)	(17,970)	(14,632)	-	(377,610)
Net carrying amount	86,440	2,315	171,271	12,388	6,183	14,991	293,588

Notes to Financial Statements (Continued)

Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Ancillary equipment RMB'000	Machinery, expressway property and electronic equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	94,511	7,218	428,157	16,674	61,687	1,152	609,399
Accumulated depreciation and impairment	(11,174)	(3,588)	(215,320)	(10,936)	(34,680)	-	(275,698)
Net carrying amount	83,337	3,630	212,837	5,738	27,007	1,152	333,701
At 1 January 2021, net of accumulated depreciation and impairment	83,337	3,630	212,837	5,738	27,007	1,152	333,701
Additions	987	-	10,903	4,474	5,255	2,543	24,162
Disposals	-	-	(53)	-	-	-	(53)
Depreciation provided during the year	(3,702)	(767)	(40,405)	(1,061)	(2,845)	-	(48,780)
Transfers	-	-	1,152	-	1,003	(2,155)	-
At 31 December 2021, net of accumulated depreciation and impairment	80,622	2,863	184,434	9,151	30,420	1,540	309,030
At 31 December 2021:							
Cost	95,498	7,218	440,135	21,148	67,945	1,540	633,484
Accumulated depreciation and impairment	(14,876)	(4,355)	(255,701)	(11,997)	(37,525)	-	(324,454)
Net carrying amount	80,622	2,863	184,434	9,151	30,420	1,540	309,030

As at 31 December 2022, the aggregate carrying value of the buildings without ownership certificates was RMB7,471,000 (2021: RMB17,943,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At 1 January:		
Cost	23,806	23,806
Accumulated depreciation	(4,132)	(3,247)
Net carrying amount	19,674	20,559
Net of accumulated depreciation and impairment	19,674	20,559
Additions	921	–
Depreciation provided during the year	(914)	(885)
Transfers	609	–
At 31 December 2022, net of accumulated depreciation and impairment	20,290	19,674
At 31 December 2022:		
Cost	25,469	23,806
Accumulated depreciation	(5,179)	(4,132)
Net carrying amount	20,290	19,674
Fair value at the end of the year	29,667	19,134

The Group's investment properties consist of 15 (2021: 14) commercial properties in Mainland China. The fair value of the Group's investment properties as at 31 December 2022 of RMB29,667,000 (2021: RMB19,134,000) was estimated based on valuations performed by an external independent valuer.

The fair value measurements of the Group's investment properties are categorised within Level 3. The valuation techniques are the market approach and the discounted cash flow method and the significant inputs used in the fair value measurement are the estimated rental value, rent growth and discount rate.

The Group has determined that the current use of properties is the highest and best use at the measurement date and no impairment provisions will be made for these properties considering that the fair value was slightly lower than the carrying amount.

As at 31 December 2022, there was no building without ownership certificates (2021: RMB19,674,000).

Notes to Financial Statements (Continued)

Year ended 31 December 2022

15. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) *Lease liabilities*

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

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

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

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

(d) The total cash outflow for leases is disclosed in notes 33(c) to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

15. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties consisting of 15 (2021: 14) commercial properties in Mainland China and advertisement billboards and telecommunication cable pipes under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB4,663,000 (2021: RMB4,777,000), details of which are included in note 3 to the financial statements.

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

16. INTANGIBLE ASSETS

	Service concession arrangements RMB'000	Software RMB'000	Mining rights RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	5,372,630	3,618	–	5,376,248
Additions	1,070,371	273	96,490	1,167,134
Amortisation provided during the year	(237,628)	(1,480)	–	(239,108)
At 31 December 2022	6,205,373	2,411	96,490	6,304,274
At 31 December 2022:				
Cost	9,659,781	8,352	96,490	9,764,623
Accumulated amortisation and impairment	(3,454,408)	(5,941)	–	(3,460,349)
Net carrying amount	6,205,373	2,411	96,490	6,304,274
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	5,618,011	3,337	–	5,621,348
Additions	44,569	1,681	–	46,250
Amortisation provided during the year	(289,950)	(1,400)	–	(291,350)
At 31 December 2021	5,372,630	3,618	–	5,376,248
At 31 December 2021:				
Cost	8,589,410	8,079	–	8,597,489
Accumulated amortisation and impairment	(3,216,780)	(4,461)	–	(3,221,241)
Net carrying amount	5,372,630	3,618	–	5,376,248

Notes to Financial Statements (Continued)

Year ended 31 December 2022

16. INTANGIBLE ASSETS (CONTINUED)

The details of the toll roads, Jihe Expressway, Deshang Expressway and Shennan Expressway under the Concession Arrangement and Transfer Agreement are disclosed in note 1.

During the year, the reconstruction and expansion project on Jihe Expressway and upgrading of Deshang Expressway were in the construction stage. Total construction costs of RMB1,070,371,000 were incurred (2021: RMB44,569,000). All construction works were sub-contracted to third-party subcontractors.

In addition, construction revenue of RMB1,070,371,000 (2021: RMB44,569,000) was recognised in respect of the construction services provided by the Group for the upgrade project of Jihe Expressway and Deshang Expressway using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the upgrade projects and the commencement of operation.

The operating right pertaining to Deshang Expressway and Shennan Expressway of the Group was pledged to secure a bank loan being granted to the Group (note 27). As of 31 December 2022, the net carrying amounts of such operating rights were approximately RMB2,197,838,000 and RMB780,446,000 (2021: the net carrying amounts of an operating right to Deshang Expressway were RMB2,225,078,000).

Notes to Financial Statements (Continued)

Year ended 31 December 2022

17. INVESTMENT IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	261,002	–

Particulars of the Group's joint ventures are as follows:

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

The above investments are directly held through a wholly-owned subsidiary of the Company.

note:

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

17. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	2022 RMB'000
Cash and cash equivalents	534
Other current assets	10,883
Current assets	11,417
Non-current assets	261,000
Non-current liabilities	(11,405)
Net assets	261,012
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	99.99%
Group's share of net assets of the joint venture	261,002
Carrying amount of the investment	261,002

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

18. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	24,434	21,338

The Group's other receivable, trade payable and other payable with the associate is disclosed in note 36 to the financial statements.

Particular of the Group's associate is as follows:

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

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

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

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

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

	2022 RMB'000	2021 RMB'000
Current assets	51,943	42,506
Non-current assets	29,101	30,597
Current liabilities	(19,958)	(19,758)
Net assets	61,086	53,345
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	40%	40%
Group's share of net assets of the associate	24,434	21,338
Carrying amount of the investment	24,434	21,338

Notes to Financial Statements (Continued)

Year ended 31 December 2022

18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

19. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	12,220	–
Finished goods	4,333	3,917
Materials in transit	802	–
	17,355	3,917

Notes to Financial Statements (Continued)

Year ended 31 December 2022

20. TRADE AND BILLS RECEIVABLES

Trade receivables are analysed by category as follows:

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

	2022 RMB'000	2021 RMB'000
At beginning of year	214	383
Impairment losses, net (note 6)	16	(169)
At end of year	230	214

Financial assets included in prepayments and other receivables mainly represent deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2022 was 0.5% (2021: 7.15%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

22. CONTRACT ASSETS

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

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2022 was the result of the increase in the provision of construction contracting services at the end of the year.

During the year ended 31 December 2022, RMB1,233,000 (2021: RMB1,720,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

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

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

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

	2022 RMB'000	2021 RMB'000
At beginning of year	1,812	92
Impairment losses (note 6)	1,233	1,720
At end of year	3,045	1,812

Notes to Financial Statements (Continued)

Year ended 31 December 2022

22. CONTRACT ASSETS (CONTINUED)

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

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

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

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Structured bank deposits	1,004,873	–

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND LONG-TERM DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	677,693	582,027
Time deposits	412,719	5,450
	1,090,412	587,477
Less:		
Time deposits-long-term deposits	410,196	–
Restricted cash	609	–
Cash and cash equivalents	679,607	587,477

At the end of the reporting period, cash and bank balances were denominated in RMB and HK\$.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances are deposited with creditworthy banks with no recent history of default. The Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

Restricted cash are deposits for issuing bank acceptance bills.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

25. TRADE AND BILLS PAYABLES

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

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

Included in the trade payables are amounts totalling RMB143,355,000 (2021: RMB22,912,000) due to the Group's related parties, which are repayable on credit terms similar to those offered by other similar suppliers of the Group. Further details of the purchases from these related parties are set out in note 36 to the financial statements.

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

26. OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Deposits received	(b)	16,000	68,647
Due to related parties (note 36(d))		72,500	57,100
Staff salaries and welfare		42,681	39,517
Other taxes and surcharge payables		29,391	16,124
Advance from customers		8,627	9,797
Other payables and accruals	(b)	14,936	5,067
Payables for purchases of long-term assets	(b)	10,396	4,558
Contract liabilities	(a)	137,967	96
		332,498	200,906
Less: non-current portion		20,908	22,562
Current portion		311,590	178,344

Notes:

- (a) Details of contract liabilities are as follows:

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.35-4.20	2023	137,572	4.20	2022	249,511
Bank loans – unsecured	2.85-3.95	2023	201,729	3.95-4.20	2022	102,637
Other loans – unsecured	2.85-4.18	2023	542			–
			339,843			352,148
Non-current:						
Bank loans – secured	3.35-4.20	2024-2026	893,526	4.20	2023-2026	894,470
Bank loans – unsecured	2.85-3.95	2024-2050	1,949,735	3.95-4.20	2023-2032	1,329,340
Other loans – unsecured	4.18	2024-2042	582,000			–
			3,425,261			2,223,810
			3,765,104			2,575,958

Notes to Financial Statements (Continued)

Year ended 31 December 2022

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	339,301	352,148
In the second year	510,184	845,778
In the third to fifth years, inclusive	1,325,280	1,278,914
Beyond five years	1,007,797	99,118
	3,182,562	2,575,958
Other borrowings repayable:		
Within one year	542	–
In the second year	–	–
In the third to fifth years, inclusive	85,000	–
Beyond five years	497,000	–
	582,542	–
	3,765,104	2,575,958

The Group's bank loan of approximately RMB1,031,098,000 (2021: RMB1,143,981,000) as at 31 December 2022 was secured by the operating right of the Deshang Expressway and Shennan Expressway (note 16) with a net carrying amount of approximately RMB2,197,838,000 and RMB780,446,000 (2021: the net carrying amounts of an operating right to Deshang Expressway were RMB2,225,078,000) as at 31 December 2022.

Except the bank loans mentioned above, all interest-bearing bank borrowings were unsecured.

The Group's other loans are unsecured, bear interest at 4.18% commencing on 12 December 2022 and are repayable according to the loan agreement.

At the end of the reporting period, all interest-bearing bank and other borrowings were denominated in RMB.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

28. PROVISIONS

31 December 2022

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	163,768	32	163,800
Amounts utilised during the year	(40,776)	–	(40,776)
At 31 December 2022	122,992	32	123,024

31 December 2021

	Maintenance and resurfacing provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	176,751	717	177,468
Additional provisions	35,542	32	35,574
Amounts utilised during the year	(48,525)	(717)	(49,242)
At 31 December 2021	163,768	32	163,800

Notes to Financial Statements (Continued)

Year ended 31 December 2022

29. DEFERRED TAX

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

Deferred tax assets

	Provision for maintenance and resurfacing obligations <i>RMB'000</i>	Impairment of property, plant and equipment <i>RMB'000</i>	Replacement of intangible assets <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Right-of- use assets depreciation differences between accounting and tax regulations <i>RMB'000</i>	Bad debt provisions <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	44,188	3,590	4,008	179	-	637	-	-	52,602
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 10)	(3,246)	(587)	193	(171)	1,526	1,352	-	-	(933)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	40,942	3,003	4,201	8	1,526	1,989	-	-	51,669
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year (note 10)	(10,194)	(692)	(1,385)	-	1,032	2,495	299	606	(7,839)
Gross deferred tax assets at 31 December 2022	30,748	2,311	2,816	8	2,558	4,484	299	606	43,830

Notes to Financial Statements (Continued)

Year ended 31 December 2022

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations <i>RMB'000</i>	Property, plant and equipment depreciation difference between accounting and tax regulations <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Fair value adjustment of financial assets at fair value through profit or loss <i>RMB'000</i>	Unrealized investment gains <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	61,431	7	–	642	–	62,080
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year (note 10)	8,258	(7)	979	(642)	–	8,588
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	69,689	–	979	–	–	70,668
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 10)	23,762	437	700	1,218	429	26,546
Gross deferred tax liabilities at 31 December 2022	93,451	437	1,679	1,218	429	97,214

Notes to Financial Statements (Continued)

Year ended 31 December 2022

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

30. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid	2,000,000	2,000,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue (Thousands)	Share capital RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,000,000	2,000,000

31. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

On 23 March 2022, The Company accepted an investment of the perpetual bonds of no more than RMB2.5 billion made by Shandong International Trust Co., Ltd.. As at 31 December 2022, the Company recorded the net amount of RMB1,795,627,000 after eliminated with the portion financed by a subsidiary to one investor amounting RMB173,755,000. There is no maturity date for the perpetual bonds and the holders have no right to receive a return of principal. Pursuant to the terms, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The initial interest rate of this tranche of bonds was 1.2% per annum, which will be reset once a year after six years from the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two scenarios, the Company has no rights or obligations to redeem the bonds.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

32. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

All amounts of other reserves of the Group were statutory reserves. In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners as set out in their statutory financial statements to the statutory reserves until such reserves reach 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory reserve can be used to offset previous year's losses, if any, and part of the statutory reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB636,000 (2021: nil) and RMB636,000 (2021: nil), respectively, in respect of lease arrangements for land and buildings. The Group had non-cash injection by a non-controlling shareholder of RMB120,053,000, including property, plant and equipment, mining rights and leasehold land (2021: nil).

(b) Changes in liabilities arising from financing activities

2022

	Other equity instruments <i>RMB'000</i>	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2022	–	2,575,958	75,911
New leases	–	–	636
Changes from financing cash flows	1,795,627	1,098,047	(6,640)
Accretion of interest recognised	–	–	3,534
Profit distribution to perpetual bond	16,656	–	–
Interest expenses on interest-bearing bank and other borrowings (note 7)	–	91,099	–
At 31 December 2022	1,812,283	3,765,104	73,441

Notes to Financial Statements (Continued)

Year ended 31 December 2022

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2021

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2021	3,257,067	78,839
Changes from financing cash flows	(803,668)	(6,594)
Accretion of interest recognised	–	3,666
Interest expenses on interest-bearing bank and other borrowings (note 7)	122,559	–
At 31 December 2021	2,575,958	75,911

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within financing activities	6,640	6,594

34. CONTINGENT LIABILITIES

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

35. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Reconstruction and expansion project on the Jihe Expressway	10,217,292	182,585
Upgrade project on the Deshang Expressway and Shennan Expressway	5,274	47,078
Construction in process of Qilu Assembly	186,647	–
	10,409,213	229,663

36. RELATED PARTY TRANSACTIONS

The shareholders of the Company are Shandong Hi-Speed, COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and Guoneng Power Technology & Engineering Company Limited (國能電力技術工程有限公司), which hold approximately 38.93%, 30.00% and 6.08% of the equity interests in the Company respectively, after the IPO of the Company's H shares. The Group is a state-owned enterprise controlled by the PRC government.

In accordance with HKAS 24 (Revised) *Related Party Disclosures*, government related entities (e.g. state-owned enterprises) and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Group. A portion of the Group's business activities is conducted with other government related entities in the PRC (primarily with respect to sales of finished products, purchases of finished products and maintenance services and transactions with state-owned banks). The Group believes that these transactions are carried out on terms that are similarly and consistently applied to all other customers or suppliers.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are government related entities. The Company's directors believe that it is meaningful to disclose any significant related party transactions with these government related entities for the interest of the financial statement users, although these transactions are exempted from the disclosure requirements as set out in HKAS 24 (Revised). The Company's directors believe that information in respect of related party transactions has been adequately disclosed in the consolidated financial statements.

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Information about related parties

Name	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
Guoneng Power Technology & Engineering Company Limited	Controlling shareholder of the Company
Shandong Traffic Planning Design Institute	Fellow subsidiary of the Company
Shandong Hi-Speed Information Group Co., Ltd.	Fellow subsidiary of the Company
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	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.	Fellow subsidiary of the Company
Shandong Hi-Speed Information Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Inspection Co., Ltd.	Fellow subsidiary of the Company
Shandong Highway and Bridge Inspection Center Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan car rental branch	Fellow subsidiary of the Company
Shandong Hi-Speed Weihai Development Co., Ltd. luxury blue horizon hotel	Fellow subsidiary of the Company
Shandong Hi-Speed (Weihai) International Trade Co., Ltd.	Fellow subsidiary of the Company
Shandong Qizhi Information Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Engineering Project Management Co., Ltd.	Fellow subsidiary of the Company
Shandong Hi-Speed Maintenance Group Co., Ltd.	Fellow subsidiary of the Company
Weihai City Commercial Bank	Fellow subsidiary of the Company
Jinan Xinyue New Road Material Research and Development Co., Ltd. ("Xinyue Material")	An associate of Shandong Gangtong
Shandong Water General Co., Ltd.	Fellow subsidiary of the Company
Shandong Dongfang Road and Bridge Construction Co., Ltd.	Fellow subsidiary of the Company
Shandong Road and Bridge Construction Group Co., Ltd.	Fellow subsidiary of the Company
Shandong High-speed Engineering Construction Group	Fellow subsidiary of the Company

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Information about related parties (continued)

Name	Relationships with the Group
Shandong High-speed Industrial Development Co., Ltd.	Fellow subsidiary of the Company
Shandong High-speed Smart City Service Co., Ltd.	Fellow subsidiary of the Company
Shandong Expressway Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong High-speed Supply Chain Group Co., Ltd.	Fellow subsidiary of the Company
Shandong High-speed Group Co., Ltd. Weirong Branch	Fellow subsidiary of the Company
Shandong High-speed Land Development Co., Ltd.	Fellow subsidiary of the Company
Shandong High-speed Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Aobang Transportation Facilities Engineering Co., Ltd.	Fellow subsidiary of the Company
Shandong Environmental Protection Industry Group Co., Ltd.	Fellow subsidiary of the Company
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)	A joint venture of Qilu Expressway Investment

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group had the following transactions with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Processing service income:			
Shandong Water General Co., Ltd.	(i)	2,017	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	(i)	189	–
Xinyue Material	(i)	2	558
Sale of industrial products:			
Shandong High-speed Engineering Construction Group	(i)	52,501	–
Shandong Luqiao Group Co., Ltd.	(i)	27,230	–
Shandong Road and Bridge Construction Group Co., Ltd.	(i)	20,226	–
		102,165	558
Purchases of equipment:			
Shandong Hi-Speed Information Group Company Limited	(i)	4,695	–
Shandong Tongwei	(i)	224	1,515
Shandong Hi-Speed Information Engineering Co., Ltd.	(i)	–	34
Shandong High-speed Industrial Development Co., Ltd.	(i)	164	–
Purchases of goods:			
Shandong High-speed Supply Chain Group Co., Ltd.	(i)	7,956	–
Xinyue Material	(i)	5,100	13,360
Employee service fees:			
Shandong Hi-Speed Group	(i)/(ii)	31,916	31,228
Shandong High-speed Smart City Service Co., Ltd.	(i)	1,230	–
Shandong Expressway Engineering Co., Ltd.	(i)	450	–
Interest expenses:			
Shandong Hi-Speed Group	(i)	986	5,588
Rent of land:			
Shandong Hi-Speed Group	(i)	5,774	5,774
Maintenance services:			
Shandong Hi-Speed Xinlian Technology Co., Ltd.	(i)	13,000	–
Shandong Tongwei	(i)	1,608	1,198
Shandong Hi-Speed Information Group Company Limited	(i)	798	193
Shandong Hi-Speed Maintenance Group Co., Ltd.	(i)	–	237

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Design and technical service expense:			
Shandong Traffic Planning Design Institute	(i)	81,680	24,420
Shandong Hi-Speed Honglin Engineering Technology Co., Ltd.	(i)	–	289
Shandong Hi-Speed Engineering Inspection Co., Ltd.	(i)	5,774	8,171
Shandong Hi-Speed Information Engineering Co., Ltd.	(i)	–	2
Shandong Highway and Bridge Inspection Center Co., Ltd.	(i)	–	215
Engineering and supervision fee:			
Shandong High-speed Engineering Construction Group	(i)	69,842	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	(i)	40,886	–
Shandong Luqiao Group Co., Ltd.	(i)	23,830	–
Shandong Road and Bridge Construction Group Co., Ltd.	(i)	18,317	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.	(i)	2,662	–
Shandong Traffic Engineering Supervision and Consulting Co., Ltd.	(i)	897	–
Other service expense:			
Shandong High-speed Land Development Co., Ltd.	(i)	104,290	–
Shandong Hi-Speed Engineering Inspection Co., Ltd.	(i)	924	–
Shandong Hi-Speed Service Development Group Co., Ltd. Jinan car rental branch	(i)	–	53
Shandong High-speed Weihai Development Co., Ltd. luxury blue horizon hotel	(i)	–	3
Shandong High-speed (Weihai) International Trade Co., Ltd.	(i)	–	28
Shandong Qizhi Information Co., Ltd.	(i)	–	1
Shandong Traffic Planning Design Institute	(i)	618	–
Shandong High-speed Group Co., Ltd. Weirong Branch	(i)	1	–
		423,622	92,309

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Notes:

- (i) During the year, the transactions were carried out in accordance with the terms and conditions similar to those offered by third parties in the ordinary course of business.
- (ii) The Group entered into a service agreement with Shandong Hi-Speed on 2 June 2020 for the secondment of the Public-Sector Employees to provide toll collection and maintenance services for 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 RMB31,916,000 during the year (2021: RMB31,228,000).

(c) Commitments with related parties

- (i) In the Jihe expressway reconstruction and expansion project, the Group entered into purchase agreements with Shandong Hi-Speed Honglin Engineering Technology Co., Ltd. and Shandong Traffic Planning Design Institute for consultation service, and Shandong Traffic Engineering Supervision Consulting Co., Ltd., Shandong Expressway Project Management Co., Ltd., Shandong Expressway Engineering Construction Group Co., Ltd., Shandong Road and Bridge Group Co., Ltd., Shandong Highway and Bridge Construction Group Co., Ltd. for supervision service, and Shandong Expressway Road and Bridge Technology Co.,Ltd., Shandong Hi-Speed Engineering Inspection Co., Ltd. for technical study, and Shandong Expressway Smart City Service Co., Ltd. for labor outsourcing service, and Shandong Traffic Planning Design Institute for design service, and Shandong Land Development Group Co.,Ltd. for farmland index adjustment service. The amounts will be approximately RMB69,338,000, RMB3,218,334,000, RMB7,291,000, RMB569,000, RMB4,750,000 and RMB72,510,000 respectively.
- (ii) In the Liaocheng West Interchange project, the Group agreed with Shandong Dongfang Road and Bridge Construction Co., Ltd. and Shandong Traffic Engineering Supervision Consulting Co., Ltd. to purchase the supervision service, which is expected to cost approximately RMB5,274,000.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Deposit balance		
Weihai City Commercial Bank	26,492	30,000
Prepayments, other receivables and other assets		
Shandong Luqiao Group Co., Ltd.	77,825	–
Shandong High-speed Engineering Construction Group	77,494	–
Shandong Road and Bridge Construction Group Co., Ltd.	56,583	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.	2,325	–
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	2,124	–
Xinyue Material	453	516
Shandong Hi-Speed Xinlian Technology Co., Ltd.	56	22
Shandong Water General Co., Ltd.	36	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	8	–
	216,904	538

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (continued)

	2022 RMB'000	2021 RMB'000
Trade and bills receivables		
Shandong High-speed Engineering Construction Group	59,325	–
Shandong Luqiao Group Co., Ltd.	30,770	–
Shandong Road and Bridge Construction Group Co., Ltd.	22,856	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	200	–
Xinyue Material	3	–
	113,154	–
Trade payables		
Shandong High-speed Land Development Co., Ltd.	74,290	–
Shandong Dongfang Road and Bridge Construction Co., Ltd.	26,957	–
Xinyue Material	20,869	22,522
Shandong Hi-Speed Xinlian Technology Co., Ltd.	13,000	–
Shandong High-speed Supply Chain Group Co., Ltd.	7,162	–
Shandong High-speed Engineering Co., Ltd.	490	–
Shandong Luqiao Group Co., Ltd.	199	199
Shandong High-speed Smart City Service Co., Ltd.	180	–
Shandong Tongwei	88	81
Shandong Transportation Engineering Supervision Consulting Co., Ltd.	70	60
Shandong Traffic Planning Design Institute	50	50
	143,355	22,912

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (continued)

	Note	2022 RMB'000	2021 RMB'000
Other payables and advance from customers			
Shandong Hi-Speed Group	(i)	42,503	38,860
Shandong High-speed Information Group Co., Ltd.		16,469	16,328
Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership)		10,819	–
Guoneng Power Technology & Engineering Co., Ltd.		1,073	–
Shandong Hi-Speed Engineering Inspection Co., Ltd.		758	757
Shandong High-speed Smart City Service Co., Ltd.		341	–
Shandong Traffic Planning Design Institute		206	–
Shandong Luqiao Group Co., Ltd.		200	200
Shandong Hi-Speed Transportation Engineering Co., Ltd.		55	55
Shandong Environmental Protection Industry Group Co., Ltd.		46	–
Shandong Aobang Transportation Facilities Engineering Co., Ltd.		20	–
Shandong High-Speed Supply Chain Group Co., Ltd.		10	–
Shandong Hi-Speed Engineering Project Management Co., Ltd.		–	600
Shandong Transportation Engineering Supervision Consulting Co., Ltd.		–	300
		72,500	57,100
Interest-bearing bank and other borrowings			
Shandong Hi-Speed Group		582,542	–

Balances with the above related parties were unsecured and non-interest-bearing except for the interest-bearing bank and other borrowings with Shandong Hi-Speed Group with an interest rate of 4.18%.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (continued)

Notes:

- (i) At the end of 31 December 2022, an amount of RMB23,668,000 represented the payable for the lease of land and property of the 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 (2021: RMB23,944,000).

An amount of RMB18,835,000 represented the payable for employee service fees of Deshang Expressway and Shennan Expressway (2021: RMB14,916,000).

An amount of RMB2,760,000 in relation to the lease of land and property for the year ended 31 December 2022 was paid in March 2022.

Save as disclosed in the financial statements, the transactions with other state-owned enterprises are individually and collectively immaterial to the Group.

In addition, during the year ended 31 December 2022, the Group's bank balances and borrowings were deposited/arranged with state-owned banks of approximately RMB234,339,000 and RMB2,342,233,000 (2021: approximately RMB377,993,000 and RMB1,910,232,000), respectively.

(e) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	4,522	3,957
Performance-related bonuses	8,960	4,823
Defined contribution pension schemes	1,170	840
Total compensation paid to key management personnel	14,652	9,620

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of note 36(b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, except for the transactions with Xinyue Material.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills receivables	–	419,143	419,143
Financial assets included in prepayments and other receivables	–	44,698	44,698
Financial assets at fair value through profit or loss	1,004,873	–	1,004,873
Cash and cash equivalents, restricted cash and long-term deposits	–	1,090,412	1,090,412
	1,004,873	1,554,253	2,559,126

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	311,943
Financial liabilities included in other payables	113,832
Interest-bearing bank and other borrowings	3,765,104
Lease liabilities	73,441
	4,264,320

Notes to Financial Statements (Continued)

Year ended 31 December 2022

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial assets

	Financial assets at amortised cost <i>RMB'000</i>
Trade and bills receivables	132,733
Financial assets included in prepayments and other receivables	2,781
Cash and cash equivalents	587,477
	722,991

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	148,645
Financial liabilities included in other payables	135,372
Interest-bearing bank and other borrowings	2,575,958
Lease liabilities	75,911
	2,935,886

Notes to Financial Statements (Continued)

Year ended 31 December 2022

38. 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	3,765,104	2,575,958	3,066,437	2,522,531
Other payables and accruals, non-current portion	20,908	22,562	20,908	22,562
	3,786,012	2,598,520	3,087,345	2,545,093

Management has determined that the carrying amounts of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments and other receivables, other financial assets at amortised cost, trade 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 the unlisted investments 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 the 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 because of the Group's own-performance risk for the interest-bearing bank and other borrowings and the non-current portion of other payables as of 31 December 2022 and 31 December 2021 were assessed to be insignificant.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

38. 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 31 December 2022

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Financial assets at fair value through profit or loss	–	1,004,873	–	1,004,873

As at 31 December 2021

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the year, 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 (2021: nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2022

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	3,066,437	–	3,066,437
Other payables – non-current	–	20,908	–	20,908
	–	3,087,345	–	3,087,345

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	2,522,531	–	2,522,531
Other payables – non-current	–	22,562	–	22,562
	–	2,545,093	–	2,545,093

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax RMB'000	(Decrease)/ increase in equity RMB'000
2022			
RMB	100	21,254	(21,254)
RMB	(100)	(21,254)	21,254
2021			
RMB	100	(16,465)	(16,465)
RMB	(100)	16,465	16,465

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group principally operates in Mainland China and RMB is the currency of the primary economic environment in which the Group operates. However, upon the initial listing of H shares, proceeds from the IPO are in HK\$. Foreign exchange risk arises from cash and cash equivalents denominated in a currency other than the functional currency of the Group.

The Group currently does not have a foreign currency hedging policy and manages its foreign currency risk by closely monitoring the movements of the foreign currency rates.

As of 31 December 2022, if HK\$ had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's post-tax profit would have been approximately RMB79,000 higher/lower because of the cash and cash equivalents being denominated in HK\$ (2021: RMB143,000).

Credit risk

The Group's credit risk mainly arises from receivables. The carrying amounts of trade and other receivables represented the Group's maximum exposure in relation to financial assets.

Toll income from toll road operations is settled in cash and bank cards and is partially collected by the Shandong Transport Department on behalf of the Group. Since the toll income receivables are expected to be received within one month, the Company's management does not expect any loss from those receivables. Please refer to note 20 for details.

The Group trades only with recognised and creditworthy third parties for construction contracting. In addition, receivable balances are monitored on an ongoing basis.

Except for the receivables as mentioned above, the Group does not have any significant concentration of credit risk exposure associated with a particular single counterparty or a particular group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade and bills receivables*	2,200	-	-	431,871	434,071
Contract assets*	-	-	-	73,932	73,932
Financial assets included in prepayments and other receivables					
– Normal**	455,124	-	-	-	455,124
Cash and cash equivalents	679,607	-	-	-	679,607
	1,136,931	-	-	505,803	1,642,734

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade and bills receivables*	200	–	–	138,658	138,858
Contract assets*	–	–	–	60,821	60,821
Financial assets included in prepayments and other receivables					
– Normal**	2,995	–	–	–	2,995
Cash and cash equivalents	587,477	–	–	–	587,477
	590,672	–	–	199,479	790,151

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the expected credit loss rate is disclosed in note 20 and note 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade and other receivables are disclosed in notes 20 and 21.

Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022				Total RMB'000
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing					
bank and other borrowings	456,097	616,604	1,623,649	2,023,621	4,719,971
Trade payables	311,943	–	–	–	311,943
Other payables	92,924	2,760	8,280	18,696	122,660
Lease liabilities	6,674	6,427	17,563	78,181	108,845
	867,638	625,791	1,649,492	2,120,498	5,263,419
	2021				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing					
bank and other borrowings	450,916	930,940	1,423,929	119,972	2,925,757
Trade payables	148,645	–	–	–	148,645
Other payables	112,810	2,760	8,280	21,456	145,306
Lease liabilities	6,392	6,392	18,084	83,954	114,822
	718,763	940,092	1,450,293	225,382	3,334,530

Notes to Financial Statements (Continued)

Year ended 31 December 2022

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Similar to the others in the industry, the Group monitors capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings (note 27)	3,765,104	2,575,958
Less: Cash and cash equivalents (note 24)	(679,607)	(587,477)
Net debt	3,085,497	1,988,481
Equity attributable to owners of the parent	5,609,572	3,392,254
Capital and net debt	8,695,069	5,380,736
Gearing ratio	35.49%	36.96%

40. EVENTS AFTER THE REPORTING PERIOD

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

Notes to Financial Statements (Continued)

Year ended 31 December 2022

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	254,956	301,633
Investment properties	20,290	19,674
Intangible assets	6,208,276	5,376,431
Right-of-use assets	69,454	73,582
Investments in subsidiaries	642,646	59,646
Long-term deposits	410,196	–
Prepayments and other receivables	581,481	2,752
Total non-current assets	8,187,299	5,833,718
CURRENT ASSETS		
Inventories	3,365	3,523
Trade receivables	11,294	11,970
Other current assets	4,100	4,100
Prepayments, other receivables and other assets	320,472	34,888
Financial assets at fair value through profit or loss	1,004,873	–
Cash and cash equivalents	556,352	568,805
Total current assets	1,900,456	623,286
CURRENT LIABILITIES		
Trade payables	164,804	24,530
Other payables and accruals	126,064	157,248
Interest-bearing bank and other borrowings	339,843	352,148
Lease liabilities	2,917	2,728
Tax payable	12,645	49,497
Provisions	123,024	163,800
Total current liabilities	769,297	749,951

Notes to Financial Statements (Continued)

Year ended 31 December 2022

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 RMB'000	2021 RMB'000
NET CURRENT LIABILITIES	1,131,159	(126,665)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,318,458	5,707,053
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,425,261	2,223,810
Other payables	20,908	22,563
Lease liabilities	70,124	73,041
Deferred income	2,423	–
Deferred tax liabilities	57,246	20,940
Total non-current liabilities	3,575,962	2,340,354
Net assets	5,742,496	3,366,699
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,000,000	2,000,000
Other equity instruments	1,986,038	–
Other reserves	220,890	144,248
Retained earnings	1,535,568	1,222,451
Total equity	5,742,496	3,366,699

Notes to Financial Statements (Continued)

Year ended 31 December 2022

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent				
	Share capital RMB'000	Other equity instruments RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	2,000,000	–	60,689	830,418	2,891,107
Profit for the year	–	–	–	835,592	835,592
Total comprehensive income for the year	–	–	–	835,592	835,592
Reversal of share issue expenses	–	–	83,559	(83,559)	–
Final 2020 dividend declared	–	–	–	(360,000)	(360,000)
At 31 December 2021 and 1 January 2022	2,000,000	–	144,248	1,222,451	3,366,699
Profit for the year	–	–	–	766,415	766,415
Total comprehensive income for the year	–	–	–	766,415	766,415
Capital invested by holders of other equity instruments-perpetual bonds	–	1,969,382	–	–	1,969,382
Profit distribution to perpetual bond	–	16,656	–	(16,656)	–
Reversal of share issue expenses	–	–	76,642	(76,642)	–
Final 2021 dividend declared	–	–	–	(360,000)	(360,000)
At 31 December 2022	2,000,000	1,986,038	220,890	1,535,568	5,742,496

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 24 March 2023.