齐鲁高速公路股份有限公司
QILU EXPRESSWAY COMPANY LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1576)

2023 ANNUAL RESULTS ANNOUNCEMENT AND PROPOSED DISTRIBUTION OF 2023 FINAL DIVIDEND

HIGHLIGHTS

- Revenue increased by approximately 91.34% to approximately RMB5,608,829 thousand.
- Profit and total comprehensive income for the year attributable to owners of the parent decreased by approximately 32.80% to approximately RMB525,260 thousand.
- Earnings per Share was approximately RMB0.25.
- Recommendation of payment of the 2023 Final Dividend of RMB0.15 (tax inclusive) per Share.

2023 ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2023, prepared in accordance with the HKFRS, together with comparative figures for the preceding financial year:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
REVENUE	*3*	**5,608,829**	2,931,294
Cost of sales		**(4,796,845)**	(1,771,907)
Gross profit		**811,984**	1,159,387
Other income and gains	*3*	**71,454**	56,396
Selling and distribution expenses		**(2,006)**	–
Administrative expenses		**(106,667)**	(77,233)
Impairment losses on financial and contract assets		**(12,823)**	(10,052)
Other expenses		**(19,241)**	(3,944)
Finance costs	*5*	**(68,284)**	(95,739)
Share of profits and losses:			
Joint ventures		**37,366**	9,609
An associate		**1,808**	3,097
PROFIT BEFORE TAX	*4*	**713,591**	1,041,521
Income tax expenses	*6*	**(179,688)**	(261,465)
PROFIT FOR THE YEAR		**533,903**	780,056
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**533,903**	780,056
Attributable to:			
Owners of the parent		**525,260**	781,691
Non-controlling interests		**8,643**	(1,635)
		533,903	780,056
EARNINGS per share ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	*8*	**RMB0.25**	RMB0.39
Diluted			
– For profit for the year	*8*	**RMB0.25**	RMB0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**413,801**	293,588
Investment properties		**16,285**	20,290
Right-of-use assets	*9(a)*	**120,842**	94,921
Intangible assets		**10,570,335**	6,304,274
Investment in joint ventures	*10*	**–**	261,002
Investment in an associate	*11*	**23,455**	24,434
Deferred tax assets	*12*	**8,752**	4,081
Long-term deposits		**465,511**	410,196
Prepayments, other receivables and other assets	*13*	**982,822**	586,479
Total non-current assets		**12,601,803**	7,999,265
CURRENT ASSETS			
Inventories		**43,748**	17,355
Trade and bills receivables	*14*	**491,916**	419,143
Contract assets	*15*	**281,309**	70,887
Other current assets	*13*	**18,952**	167,931
Prepayments and other receivables	*13*	**467,247**	52,892
Financial assets at fair value through profit or loss	*16*	**200,796**	1,004,873
Restricted cash		**2,304**	609
Cash and cash equivalents		**398,957**	679,607
Total current assets		**1,905,229**	2,413,297
CURRENT LIABILITIES			
Trade and bills payables	*17*	**787,073**	311,943
Other payables	*18*	**252,706**	311,590
Interest-bearing bank and other borrowings		**545,690**	339,843
Lease liabilities	*9(b)*	**2,903**	3,235
Tax payable		**23,001**	18,635
Provisions		**111,164**	123,024
Total current liabilities		**1,722,537**	1,108,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS		**182,692**	1,305,027
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,784,495**	9,304,292
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**6,556,825**	3,425,261
Lease liabilities	*9(b)*	**67,185**	70,206
Other payables	*18*	**19,172**	20,908
Deferred tax liabilities	*12*	**84,300**	57,465
Deferred income		**4,997**	2,462
Total non-current liabilities		**6,732,479**	3,576,302
Net assets		**6,052,016**	5,727,990
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000,000**	2,000,000
Financial instruments classified as equity		**1,988,060**	1,812,283
Other reserves		**281,120**	225,758
Retained earnings		**1,655,775**	1,571,531
		5,924,955	5,609,572
Non-controlling interests		**127,061**	118,418
Total equity		**6,052,016**	5,727,990

NOTES TO FINANCIAL INFORMATION

Year ended 31 December 2023

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 2023. 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 less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 29 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")* [1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 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

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. However, the amendments are available for adoption now.

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

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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

Geographical information

All of the Group's external revenue is derived from customers based in 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 2023, no revenue (excluding revenue from construction and upgrade services) derived from a single customer accounted for 10% or more of the Group's total revenue (2022: nil).

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue from contracts with customers	**5,606,528**	2,926,631
Revenue from other sources		
Rental income*	**2,301**	4,663
Total	**5,608,829**	2,931,294

* Rental income comprises variable lease payments that do not depend on an index or a rate of RMB1,468,000 and fixed payments of RMB833,000 during the year ended 31 December 2023.

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

	Expressway *RMB'000*	**Construction and others** *RMB'000*	**Total** *RMB'000*
Types of goods or services			
Expressway	**1,144,716**	**–**	**1,144,716**
Construction and others	**–**	**4,461,812**	**4,461,812**
Total	**1,144,716**	**4,461,812**	**5,606,528**
Timing of revenue recognition			
At a point in time	**1,144,716**	**2,826**	**1,147,542**
Over time	**–**	**4,458,986**	**4,458,986**
Total	**1,144,716**	**4,461,812**	**5,606,528**

For the year ended 31 December 2022

	Expressway *RMB'000*	Construction and others *RMB'000*	Total *RMB'000*
Types of goods or services			
Expressway	1,559,161	–	1,559,161
Construction and others	–	1,367,470	1,367,470
Total	1,559,161	1,367,470	2,926,631
Timing of revenue recognition			
At a point in time	1,559,161	275,636	1,834,797
Services transferred over time	–	1,091,834	1,091,834
Total	1,559,161	1,367,470	2,926,631

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:

	2023 ***RMB'000***	2022 *RMB'000*
Construction and other business	**137,967**	28

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(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.

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

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**6,053,998**	5,544,202
After one year	**7,022,393**	12,036,132
Total	**13,076,391**	17,580,334

(c) Other income and gains

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**26,634**	36,786
Interest income from financial assets at fair value through profit or loss	**12,727**	8,324
Interest income from financial assets measured at amortised cost	**24,595**	–
Changes in fair value from financial assets at fair value through profit or loss	**796**	4,873
Compensation income for road damages	**2,894**	4,105
Government grants	**–**	1,193
Others	**3,808**	1,115
Total other income and gains	**71,454**	56,396

4. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Construction and inventories costs	**4,353,371**	1,342,918
Employee benefit expense (including directors' and chief executive's remuneration:		
Wages, salaries and allowances, social security and benefits	**160,618**	136,470
Defined contribution pension schemes	**23,011**	18,558
Other staff benefits	**12,836**	11,120
	196,465	166,148
Depreciation in respect of:		
– property, plant and equipment	**56,200**	56,431
Less: capitalisation	**(931)**	(521)
– investment properties	**943**	914
– right-of-use assets	**4,958**	4,748
Amortisation of intangible assets in respect of:		
– service concession arrangements	**220,923**	237,628
– software	**1,032**	1,480
– mining rights	**809**	–
Gain on disposal of items of property, plant and equipment	**(309)**	(284)
Impairment of trade receivables	**6,253**	8,803
Impairment (reversed)/provided of financial assets included in prepayments and other receivables	**(83)**	16
Impairment of contract assets	**6,653**	1,233
Impairment of investment properties	**3,062**	–
Impairment of property, plant and equipment	**12,633**	–
Impairment of inventories to net realisable value	**446**	–
Auditor's remuneration	**1,560**	1,560
Foreign exchange differences, net	**2,529**	3,874
Interest income from financial assets at fair value through profit or loss	**(12,727)**	(8,324)
Fair value gains from financial assets at fair value through profit or loss	**(796)**	(4,873)
Interest income from financial assets measured at amortised cost	**(24,595)**	–
Bank interest income	**(26,634)**	(36,786)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on interest-bearing bank and other borrowings	**64,889**	91,099
Interest on lease liabilities	**3,395**	3,534
Accreted interest on amounts due to Shandong Hi-Speed Group	**–**	1,106
Total	**68,284**	95,739

6. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2022: nil).

The provision for Chinese Mainland current income tax was based on the statutory rate of 25% (2022: 25%) of the assessable profits during the year.

	2023	2022
	RMB'000	*RMB'000*
Current – Chinese Mainland		
Charge for the year	**155,869**	226,600
Prior years tax true-up	**1,655**	480
Deferred	**22,164**	34,385
Total tax charge for the year	**179,688**	261,465

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**713,591**	1,041,521
Tax at the statutory tax rate at 25%	**178,398**	260,381
Effect of different tax rate of a subsidiary	**547**	13
Additional deduction for research and development expenditure	**(537)**	–
Income not subject to tax	**(452)**	(774)
Expenses not deductible for tax	**353**	193
Tax losses not recognised	**256**	1,046
Tax losses utilised from previous periods	**(646)**	–
Prior years tax true-up	**1,655**	480
Others	**114**	126
Tax charge at the Group's effective tax rate	**179,688**	261,465

7. DIVIDENDS

	2023 *RMB'000*	2022 *RMB'000*
Proposed final – RMB0.150 (2022: RMB0.180) per ordinary share	**300,000**	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.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, excluding interest of perpetual bonds, and the weighted average number of ordinary shares of 2,000,000,000 (2022: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023 (2022: nil).

9. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Annual payments were made to acquire the leased land from the owners with lease periods of 20 to 25 years, and ongoing payments will be made under the terms of these land leases. Lump sum payments were made upfront to acquire the land use rights with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land use rights. 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 31 December 2021 and 1 January 2022	72,076	1,642	73,718
Additions	25,315	636	25,951
Depreciation charge	(3,932)	(816)	(4,748)
As at 31 December 2022 and 1 January 2023	**93,459**	**1,462**	**94,921**
Additions	**30,879**	**–**	**30,879**
Depreciation charge	**(4,249)**	**(709)**	**(4,958)**
As at 31 December 2023	**120,089**	**753**	**120,842**

9. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**73,441**	75,911
New lease	**–**	636
Accretion of interest recognised during the year	**3,395**	3,534
Payments	**(6,748)**	(6,640)
Carrying amount at 31 December	**70,088**	73,441
Analysed into:		
Current portion	**2,903**	3,235
Non-current portion	**67,185**	70,206

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

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**3,395**	3,534
Depreciation charge of right-of-use assets	**4,958**	4,748
Total amount recognised in profit or loss	**8,353**	8,282

The Group as a lessor

The Group leases its investment properties consisting of 15 (2022: 15) commercial properties in Chinese Mainland 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 RMB2,301,000 (2022: RMB4,663,000), details of which are included in note 3 to the financial statements.

At 31 December 2023, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**322**	1,463
After one year but within two years	**389**	339
After two years but within three years	**147**	163
After three years but within four years	**147**	23
After four years but within five years	**74**	–
Total	**1,079**	1,988

10. INVESTMENT IN JOINT VENTURES

	2023	2022
	RMB'000	*RMB'000*
Share of net assets	**–**	261,002

Note:

(a) In 2022, Jinan Yingtong Equity Investment Fund Partnership (Limited Partnership) ("Jinan Yingtong"), which was invested by Qilu Expressway Investment (the wholly owned subsidiary of the Group) with 99.99 percentage of equity and Shandong Huaying Equity Investment Management Co., Ltd. with 0.01 percentage of equity, invested RMB261,000,000 in Zibo Hengda Investment Partnership Enterprise (Limited Partnership) ("Zibo Hengda") with 33.29 percentage of equity. In 2023, Jinan Yingtong disposed its investment in Zibo Hengda with RMB273,597,000.

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

	2023	2022
	RMB'000	*RMB'000*
Share of the joint venture's profit for the year	**13,951**	1,715
Share of the joint venture's total comprehensive income	**13,951**	1,715
Carrying amount of the Group's investment in the joint venture	**–**	261,002

11. INVESTMENT IN AN ASSOCIATE

	2023	2022
	RMB'000	*RMB'000*
Share of net assets	**23,455**	24,434

The Group's other receivable, trade payable and other payable with the associate is disclosed in note 13 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 20,000	PRC/ Chinese Mainland	40	Material research and development

11. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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:

	2023	2022
	RMB'000	*RMB'000*
Current assets	**52,379**	51,943
Non-current assets	**25,170**	29,101
Current liabilities	**(19,293)**	(19,958)
Net assets	**58,256**	61,086
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	**23,455**	24,434
Carrying amount of the investment	**23,455**	24,434

	2023	2022
	RMB'000	*RMB'000*
Revenue	**44,555**	38,258
Profit for the year	**4,519**	7,742
Total comprehensive income for the year	**4,519**	7,742
Share of the associate's profit for the year	**1,808**	3,097

12. DEFERRED TAX

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

Deferred tax assets

	Provision for maintenance and resurfacing obligations *RMB'000*	Impairment of property, plant and equipment and investment property *RMB'000*	Replacement of intangible assets *RMB'000*	Accrued expenses *RMB'000*	Lease liabilities *RMB'000*	Provision for receivables and inventories *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Deferred income *RMB'000*	Total *RMB'000*
At 31 December 2021	40,942	3,003	4,201	8	1,526	1,989	–	–	51,669
Effect of adoption of amendments to HKAS 12 (note 1.2(c))	–	–	–	–	17,452	–	–	–	17,452
At 1 January 2022 (restated)	40,942	3,003	4,201	8	18,978	1,989	–	–	69,121
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive – income during the year (note 6)	(10,194)	(692)	(1,385)	–	(618)	2,495	299	606	(9,489)
Gross deferred tax assets at 31 December 2022 and 1 January 2023 (restated)	30,748	2,311	2,816	8	18,360	4,484	299	606	59,632
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive – income during the year (note 6)	**(2,957)**	**3,924**	**(1,841)**	**727**	**(858)**	**3,334**	**1,498**	**643**	**4,470**
Gross deferred tax assets at 31 December 2023	**27,791**	**6,235**	**975**	**735**	**17,502**	**7,818**	**1,797**	**1,249**	**64,102**

12. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Intangible assets amortisation differences between accounting and tax regulations *RMB'000*	Property, plant and equipment depreciation difference between accounting and tax regulations *RMB'000*	Right-of-use assets *RMB'000*	Fair value adjustment of financial assets at fair value through profit or loss *RMB'000*	Unrealised investment gains *RMB'000*	Total *RMB'000*
At 31 December 2021	69,689	–	979	–	–	70,668
Effect of adoption of amendments to HKAS 12 (note 1.2(c))	–		17,452			17,452
At 1 January 2022 (restated)	69,689	–	18,431	–	–	88,120
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 6)	23,762	437	(950)	1,218	429	24,896
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 (restated)	93,451	437	17,481	1,218	429	113,016
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (note 6)	29,078	154	(1,150)	(1,019)	(429)	26,634
Gross deferred tax liabilities at 31 December 2023	122,529	591	16,331	199	–	139,650

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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**8,752**	4,081
Net deferred tax liabilities recognised in the consolidated statement of financial position	**84,300**	57,465

The Group has tax losses arising in Hong Kong of RMB3,097,000 during 2023 (2022: RMB443,000) 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 2023.

The Group has no tax losses in Chinese Mainland during 2023 (2022: RMB4,087,000).

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.

12. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

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

	2023	2022
	RMB'000	*RMB'000*
Tax losses not recognised as deferred assets	3,540	6,968

There is no income tax withholding attaching to the payment of dividends by the Company to its shareholders.

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Current portion			
Prepayment to suppliers		**30,544**	30,818
Deposits and other receivables	*(a)*	**289,634**	22,304
Financial assets at amortised cost	*(b)*	**147,216**	–
Other assets		**18,952**	167,931
Impairment		**(147)**	(230)
Subtotal		**486,199**	220,823
Non-current portion			
Financial assets at amortised cost	*(b)*	**540,000**	–
Prepayment to suppliers and other assets		**442,822**	586,479
Subtotal		**982,822**	586,479
Total		**1,469,021**	807,302

The movements in provision/(reversal) for impairment of other receivables are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**230**	214
(Reversal of impairment loss)/impairment loss, net	**(83)**	16
At end of year	**147**	230

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

(a) The Deposits and other receivables mainly represent with amounts receivable in relation to the disposal of associates, which is disclosed in note 10(a).

(b) Huamin Equity Investment Fund Management (Shenzhen) Co., Limited entered into an agreement with Qilu Expressway Investment on 19 May 2023, pursuant to which, the Group invested RMB400,000,000 in comprehensive development project of urban renewal of Zhili Street Area through Huamin Lucai (Weihai) Industry Investment Fund Partnership (Limited Partnership). The investment is accounted for as a debt investment with a fixed rate of return of 10% (inclusive of value-added tax) and the aggregate principal and interest as at 31 December 2023 amounted to RMB405,863,000, of which RMB5,863,000 will be recovered on maturity within one year.

Shandong Chuangrun Industrial Co., Ltd. and Qingdao Haike Holding Co., Ltd. entered into an agreement with Qilu Expressway Investment (the wholly owned subsidiary of the Group) on 10 November 2023, pursuant to which, the Group invested RMB280,000,000 in renewal unit construction project of Qingdao Oceantec Valley marine information industry through Jinan Chuangrunda Investment Partnership (Limited Partnership). The investment is accounted for as a debt investment with a fixed rate of return of 9.5% (inclusive of value-added tax) and the aggregate principal and interest as at 31 December 2023 amounted to RMB281,353,000, of which RMB141,353,000 will be recovered on maturity within one year.

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 2023 was 0.01% (2022: 0.5%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

14. TRADE AND BILLS RECEIVABLES

Trade and bills receivables are analysed by category as follows:

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**484,305**	431,871
Impairment	**(21,181)**	(14,928)
Trade receivables, net	**463,124**	416,943
Bills receivable	**28,792**	2,200
Net carrying amount	**491,916**	419,143

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 or agreed-upon terms.

Trade receivables from sale of industrial products are expected to be settled within one month (2022: within one month).

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

Toll road income receivables from the Shandong Transport Department are expected to be settled within one month (2022: 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.

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

	2023	2022
	RMB'000	*RMB'000*
Within one year	**360,118**	301,971
One to two years	**6,855**	77,158
Two to three years	**74,362**	37,814
Over three years	**21,789**	–
Total	**463,124**	416,943

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**14,928**	6,125
Impairment losses, net (note 4)	**6,253**	8,803
At end of year	**21,181**	14,928

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.

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.

15. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets arising from:		
Construction and other business	**291,007**	73,932
Impairment	**(9,698)**	(3,045)
Net carrying amount	**281,309**	70,887

Contract assets arising from construction and other business are initially recognised for revenue earned from the sale of industrial products and construction services as the receipt of consideration is conditional on passing third party's on-site quality testing and construction, respectively. Included in contract assets for construction services are retention receivables. Upon passing third party's on-site quality testing and completion of construction, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of the year.

During the year ended 31 December 2023, RMB6,653,000 (2022: RMB1,233,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 14 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2023 and 2022 are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**222,838**	21,671
After one year	**68,169**	52,261
Total contract assets	**291,007**	73,932

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**3,045**	1,812
Impairment losses (note 4)	**6,653**	1,233
At end of year	**9,698**	3,045

15. CONTRACT ASSETS (CONTINUED)

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

Set out below is the information about the credit risk exposure on the Group's contract assets arising from construction and other business excluding retentions using a provision matrix:

	2023	2022
Expected credit loss rate	**3%**	4%
Gross carrying amount (RMB'000)	**272,781**	73,678
Expected credit losses (RMB'000)	**9,698**	3,045

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Structured bank deposits	**200,796**	1,004,873

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

17. TRADE AND BILLS PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within one year	**708,388**	207,331
One to two years	**27,838**	78,756
Over two years	**50,847**	25,856
Total	**787,073**	311,943

Included in the trade payables are amounts totalling RMB265,035,000 (2022: RMB143,355,000) due to the Group's related parties, which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

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

18. OTHER PAYABLES

	Notes	**2023** **RMB'000**	2022 *RMB'000*
Deposits received	*(b)*	**23,593**	16,000
Due to related parties		**64,219**	72,500
Staff salaries and welfare		**53,019**	42,681
Other taxes and surcharge payables		**13,034**	29,391
Advance from customers		**6,453**	8,627
Other payables and accruals	*(b)*	**60,071**	14,936
Payables for purchases of long-term assets	*(b)*	**48,709**	10,396
Contract liabilities	*(a)*	**2,780**	137,967
		271,878	332,498
Less: Non-current portion		**19,172**	20,908
Current portion		**252,706**	311,590

Notes:

(a) Details of contract liabilities are as follows:

	2023 **RMB'000**	2022 *RMB'000*
Construction and others	2,780	137,967

Contract liabilities include advances received to deliver industrial products and render installation and construction services. The decrease in contract liabilities in 2023 was mainly due to the decrease in advances received from customers in relation to the provision of sale of industrial products at the end of the year.

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

19. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operations

The Group's principal businesses comprise (i) the construction, maintenance, operation and management of the expressways (including the Jihe Expressway and the Deshang and Shennan Expressways); and (ii) highway engineering construction, expressway maintenance, municipal greening and other construction engineerings, and 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 its subsidiaries, 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 expressways and the provision of advertisement publication services.

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

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB5,608,829,000, representing an increase of approximately 91.34% as compared with that of approximately RMB2,931,294,000 of last year among which included the revenue from the Expressway Business which amounted to approximately RMB1,144,716,000, representing a decrease of approximately 26.58% as compared with that of approximately RMB1,559,161,000 of last year. During the Reporting Period, the Group recorded toll income from the Jihe Expressway of approximately RMB577,261,000, representing a decrease of approximately 47.04% as compared with that of approximately RMB1,089,928,000 of last year. The toll income from the Deshang and Shennan Expressways was approximately RMB567,455,000, representing an increase of approximately 20.93% compared with that of approximately RMB469,233,000 of last year.

Expressway

Traffic volume on the Jihe Expressway during the Reporting Period decreased by approximately 43.73% from approximately 69,400 vehicles per day of last year to approximately 39,000 vehicles per day during the Reporting Period. Traffic volume on the Deshang Expressway (Liaocheng – Fan County section) increased by 27.20% from approximately 46,000 vehicles per day of last year to approximately 58,500 vehicles per day during the Reporting Period. Traffic volume on the Shennan Expressway increased by 34.58% from approximately 8,900 vehicles per day of last year to approximately 12,000 vehicles per day during the Reporting Period. The above changes in toll income and traffic volume were mainly attributable to the decrease in traffic volume as a result of the half-width closure for the construction of the Jihe Expressway which resulted in lower toll income from Jihe Expressway. Moreover, as compared to 2022, the overall economy in 2023 has exhibited a recovery and growth. This has resulted in an increased demand for "compensatory travel" among the public, leading to a notable rise in both traffic volume and toll income on Deshang Expressway (Liaocheng – Fan County section) and the main line of the Shennan Expressway. For further details of the change in traffic volume of the above expressways during the period, please refer to the sub-section headed “Business Review – Expressway Business” under this section.

Construction and other

During the Reporting Period, the Group recognised revenue from the construction business and and sales of industrial products related to construction of approximately RMB4,461,812,000, representing an increase of approximately 226.28% as compared with that of approximately RMB1,367,470,000 of last year, which was mainly attributable to the accelerated progress of the construction of the R&E Project leading to the increase in related construction revenue and the increase in revenue from the commencement of operation of Shandong Shunguang Industrial and Qilu Expressway Assembly. For details of the construction business, please refer to the sub-section headed “Business Review – Construction Business and Sale of Industrial Product” under this section.

During the Reporting Period, the Group recorded the rental income of approximately RMB2,301,000, representing a decrease of approximately 50.65% from that of RMB4,663,000 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 RMB1,352,000 (representing a decrease of approximately 54.08% from that of approximately RMB2,944,000 of last year), and the rental income from the leasing of the communication signal transmission pipelines along the expressways and investment properties of approximately RMB949,000 (representing a decrease of approximately 44.79% from that of RMB1,719,000 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 RMB4,796,845,000 and RMB811,984,000 respectively, as compared to those of approximately RMB1,771,907,000 and RMB1,159,387,000 of last year, representing an increase of approximately 170.72% and a decrease of approximately 29.96%, respectively. Gross profit margin of the Group was approximately 14.48% for the Reporting Period, representing a year-on-year decrease of approximately 25.07 percentage points as compared with that of approximately 39.55% 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 relatively large increase in the cost of sales as compared to that of last year was mainly due to the significant increase in costs associated with the construction of the R&E Project and the sale of industrial products. Whereas the Group's revenue from the construction of the R&E Project and the sale of industrial products recorded an increase from that of the previous year, it had led to a relatively significant in the cost of sales, thereby leading to a decrease in terms of both the Group's gross profit and gross margin for the Reporting Period when compared to those of the previous year.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB71,454,000, 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 26.70% in other income and gains from approximately RMB56,396,000 of last year was mainly attributable to the increase in investment income from structured deposits.

Administrative Expenses

During the Reporting Period, administrative expenses from the Group's operations were approximately RMB106,667,000, representing an increase of approximately 38.11% as compared to that of approximately RMB77,233,000 of last year. Such increase in administrative expenses was mainly attributable to the commencement of operation of Qilu Expressway Assembly. 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 Financial Assets and Contract Assets

During the Reporting Period, the impairment losses on financial assets and contract assets were approximately RMB12,823,000, representing an increase of approximately 27.56% from RMB10,052,000 of last year, mainly attributable to the commencement of operation of Qilu Expressway Assembly and the increase in contract assets.

Other Expenses

During the Reporting Period, the other expenses of the Group were approximately RMB19,241,000, representing an increase of approximately 387.85% as compared to approximately RMB3,944,000 of last year, which was mainly attributable to the commencement of operation of Qilu Expressway Assembly as well as the increase in sales costs of Shandong Shunguang Industrial and Shandong Gangtong Construction.

Finance Costs

During the Reporting Period, the finance costs of the Group were approximately RMB68,284,000, representing a decrease of approximately 28.68% as compared to approximately RMB95,739,000 of last year. During the Reporting Period, partial repayment of loan principal, together with a reduction in the interest rate applicable to the outstanding loan, resulting in lower finance charges for the Group as compared to last year.

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 RMB39,174,000 (last year: approximately RMB12,706,000), 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 RMB525,260,000, representing a decrease of approximately 32.80% as compared to that of approximately RMB781,691,000 for last year. The decrease in profit during the Reporting Period was primarily attributable to the half-width closure for construction in respect of the R&E Project of the Jihe Expressway.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operations and capital expenditures with the Group's internal resources, floating-rate bank loans and borrowings from Shandong Hi-Speed Group. As at 31 December 2023, the Group had total loans of approximately RMB7,102,515,000 (as at 31 December 2022: approximately RMB3,765,104,000), 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 RMB398,957,000 (as at 31 December 2022: approximately RMB679,607,000).

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 2023, the Group's gearing ratio, as calculated by dividing net debt(1) by total capital(2), was approximately 53.08% (as at 31 December 2022: 35.49%).

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 2023, 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 2023, 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 RMB2,100,745,000 and RMB756,325,000, respectively. Save as mentioned above, as at 31 December 2023, the Group had no material pledge of assets or contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 31 December 2023, the Group had a total of 696 (as at 31 December 2022: 693) employees in the PRC, including management staff, engineers and technicians, etc.. During the Reporting Period, the Group's total staff remuneration expenses were approximately RMB203,667,000 (approximately RMB172,481,000 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 2023, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Group will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

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

The Company did not have any significant investment, material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Reporting Period.

BUSINESS REVIEW

During the Reporting Period, the Group achieved a revenue of approximately RMB5,608,829,000, representing a year-on-year increase of approximately 91.34%. The Expressway Business remained as the Group's principal business, from which the Group realised a toll income of approximately RMB1,144,716,000, representing a year-on-year decrease of approximately 26.58%. The revenue from the construction business, sales of industrial products, rental income and other services businesses was approximately RMB4,464,113,000, representing a year-on-year increase of approximately 225.34%. During the Reporting Period, the Group recorded profit before tax of approximately RMB713,591,000, representing a year-on-year decrease of approximately 31.49%. Profit for the year was approximately RMB533,903,000 (last year: approximately RMB780,056,000), generating earnings per share of approximately RMB0.25 (last year: approximately RMB0.39).

Expressway Business

In 2023, 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 impact of factors such as the implementation of half-width closure for construction of the Jihe Expressway R&E project in 2023, there was an decrease in the traffic volume of the Jihe Expressway and an increase in traffic volume of the Deshang and Shennan Expressways during the Reporting Period as compared with the previous year. The Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway recorded daily traffic volume of approximately 39,000, 58,500 and 12,000 vehicle trips, respectively, during the Reporting Period. The Group recorded a toll income of RMB577,261,000 from the Jihe Expressway during the Reporting Period, representing a decrease of approximately 47.04% from that of RMB1,089,928,000 of last year. The Deshang and Shennan Expressways recorded a toll income of approximately RMB567,455,000 during the Reporting Period, representing an increase of approximately 20.93% from that of approximately RMB469,233,000 of last year.

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

Expressways managed by the Group during the Reporting Period	**Total volume of passenger vehicle traffic throughout the year** *('000)*	**Total volume of truck and special motor vehicle traffic throughout the year** *('000)*	**Total traffic volume throughout the year** *('000)*	**Daily average traffic volume**(2)
The Jihe Expressway	10,604.93	3,644.24	14,249.17	39,039
The Deshang Expressway (Liaocheng – Fan County section)	13,306.47	8,039.22	21,345.69	58,481
The Shennan Expressway	2,799.26	1,577.88	4,377.14	11,992

Notes:

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

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

① Vehicles passing the toll stations at both entrance and exit on the expressways managed by the Group;

② Vehicles passing the toll stations at entrance on the expressways not managed by the Group but passing the toll stations at exit on the expressways managed by the Group;

③ Vehicles passing the toll stations at entrance on the expressways managed by the Group but passing the toll stations at exit on the expressways not managed by the Group; and

④ Vehicles passing driving on the expressways managed by the Group but not passing the toll stations at entrance or exit on the expressways managed by the Group.

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

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

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

1. Commencing from 16 February 2023, the Jihe Expressway R&E Project entered the implementation phase of closure for construction. As the half-width of the main line and certain toll stations were closed for construction, there was a decline in traffic flow and toll income.

2. As compared to 2022, the overall economy in 2023 has exhibited a recovery and growth. This has resulted in an increased demand for "compensatory travel" among the public, leading to a notable rise in both traffic volume and toll income on Deshang Expressway (Liaocheng – Fan County section) and the main line of the Shennan 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; and (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 15% will be implemented for freight car users who drive the expressway in our province and install ETC package equipment.

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 RMB2,301,000. As at the end of the Reporting Period, there were 12 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 and Sale of Industrial Products

During the Reporting Period, the Group recognised revenue of approximately RMB4,461,812,000 from construction business and sales of industrial products. Revenue from the construction business was mainly from the construction revenue recognised from the R&E Project of the Jihe Expressway, revenue from highway construction and revenue from municipal greening services; revenue from the sale of industrial products was mainly from the trading business of industrial products such as geotechnical materials, construction equipment and engineering materials.

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.

Upon the main works of the R&E Project of the Jihe Expressway fully commenced, the "half-width closure for construction, half-width one-way traffic" model was adopted. Since 16 February 2023, the Company has closed the half-width of Jinan-Heze Expressway (from Jinan to Heze) to carry out half-width closure for construction. The half-width construction was completed and passed acceptance test by the Provincial Department of Transport on 12 December 2023, while the traffics traveling to the Heze direction has been fully transferred to the new half-width on 26 December 2023. This transition has resulted in a substantial improvement in road capacity. In the coming year, the Company will continue the construction of the remaining half width while bolstering its investment in workforce and equipment resources. The Company will comprehensively and continuously promote the construction boom, striving to complete the Jihe Expressway reconstruction for open to traffic by the end of 2024. Throughout the year, the Company will intensify its efforts to reach the goal of creation of "the first zero-carbon reconstructed and expanded expressway in the nation".

During the Reporting Period, in accordance with the overall traffic management plan of “half-width closure for construction, half-width open to traffic”, the Company smoothly completed road closures in the Jinan direction and the overall diversion of traffic. The Company obtained approval for the electromechanical construction drawings from the Provincial Department of Transportation one month ahead of the scheduled timeline. At the same time, the R&E Project of Jihe Expressway focused on promoting the integration and application of new technologies, new equipment and new systems, which required more scientific research efforts. The transformation and upgrading of the first batch of four toll stations were completed based on the “cloud toll collection” standard, and more than 20 new technologies were applied. We made concerted effort to construct “safe, smooth and smart” expressways, creating a 100-year quality project of safety and establishing a demonstrative R&E Project of expressways in Shandong Province.

For further details and the construction schedule of the R&E Project of the Jihe Expressway, please refer to the announcements dated 3 May 2021, 30 September 2021, 11 October 2021, 11 March 2022, 20 May 2022, 27 July 2022, 19 August 2022, 29 November 2022, 7 February 2023 and 20 December 2023, and the circulars dated 15 November 2021, 20 July 2022 and 31 October 2022 of the Company.

PROSPECTS

2024 is a groundbreaking year for the Company as we reach the culmination of the R&E Project for the Jihe Expressway. It is also a critical year for the Company to implement the 14th Five-Year Plan and a momentous year when the transformation and development strategy gains momentum and achieves a breakthrough. The entire Qilu Expressway team stands united, committed to delivering excellence throughout the year.

In the new year, the Company will prioritise its core responsibilities and business and intensify its strategic transformation efforts. The Company will expedite innovative, open, green, and low-carbon development initiatives. Moreover, the Company will be committed to ensuring the construction of key projects while comprehensively enhancing the quality of its production and operations. With strengthened confidence, the Company will confront challenges head-on, focus on overcoming obstacles, and enhance the core function and core competitiveness of "creating value for society, shareholders, and employees." By doing so, the Company strive to forge a new path to become a "first-class highway comprehensive service provider". First, the Company must firmly anchor its pursuit of the leading position in the industry. To achieve this, the Company will concentrate its efforts on key areas such as smart empowerment, integration and upgrading, and enhancing the customer experience. Meanwhile, the Company will strive to make significant breakthroughs in upgrading and elevating its core business operations. Second, its focus will be on ensuring the seamless completion of ongoing projects and achieving breakthroughs in the culmination of key projects. The Company will make every possible effort to achieve an "ahead-of-schedule" outcome and accelerate the completion of the Jihe Expressway R&E project. The Company step up its efforts to enhance the "green element" by placing a stronger emphasis on "wisdom, intelligence, and smart manufacturing." Through enabling innovation to improve quality, the Company will actively explore internal opportunities to reduce cost. In addition, its emphasis will be on creating value. The Company direct its concentration towards creating "value" by actively promoting its implication, accumulating project experience, and maximizing the value derived from project construction. Third, the Company will focus on transformation and upgrading. By utilizing capital operations, the Company can explore new tracks for industrial operations and drive progress in green and low-carbon initiatives, making significant breakthroughs in upgrading the overall level of industrial development. Fourth, the Company must focus on the driving role of new forces. The Company will harness the power of technological innovation to drive advancements in "quality and efficiency". and establish a mechanism for "introducing and nurturing" talents. The digital transformation must be directed towards the "integration of data and reality," bringing significant breakthroughs for cultivating and strengthening new productive forces. Fifth, the Company will focus on the fundamental support. The Company drive significant improvements in governance and management thought implementing reforms across three areas, promoting the construction of a safety development system, as well as making significant breakthroughs in establishing and improving market-oriented and legalized operating mechanisms. Sixth, the Company will prioritize Party leadership and leverage its advantages to drive its development and let Party's discipline serve as a deterrent. The Company will solidly promote the construction of a harmonious enterprise, actively practice a style of practical work and responsibility, and make breakthroughs in enhancing the cohesion of development synergy.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 20 December 2023 in relation to, among others, the half-width closure for construction in respect of the R&E Project of the Jihe Expressway. In relation to the main works of the R&E Project, the second stage of closure for construction has been completed and has moved on to the third stage. After consultation with the relevant competent authorities, taking into account of the construction needs, the Company implemented the relevant traffic control measures for the third stage of closure for construction on various sections of the Jihe Expressway in the Jinan traffic direction from 20 December 2023 onwards. Commencing from the date of implementation of the control measures to 31 December 2024, the Jihe Expressway in the Heze to Jinan traffic direction would be closed, and the vehicles along the Jinan to Heze traffic direction would either remain on normal traffic or be re-directed to travel on some other sections of the expressway, while those intending to travel along the Heze to Jinan traffic direction would not be permitted to enter the Jihe Expressway, and would have to bypass other expressways or national/provincial highways. To facilitate the third stage of closure for construction, all entrances and exits at the toll stations in Pingyin South and Liangshan would be closed. The entrances and exits at the toll station in Dongping would remain open for traffic until 10:00 on 30 March 2024, upon when it would be closed for construction works until 30 September 2024. The Company will closely monitor the situation and assess its impact on the traffic volume and toll income of the Jihe Expressway and the results of the Group for the year ending 31 December 2024 and make disclosure in respect of the development of the aforesaid situations in accordance with the requirements of the relevant laws and regulations and the Listing Rules.

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

AUDIT COMMITTEE AND SCOPE OF WORK OF THE GROUP'S EXTERNAL AUDITOR

The Audit Committee has reviewed the annual results of our Group for the year ended 31 December 2023 and is of the view that the Group has complied with all applicable accounting standards and requirements and made adequate disclosure.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's external auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023.

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

As at the date of this announcement, to the best knowledge of the Board, information contained in this announcement is consistent with the information that will be contained in the 2023 annual report of the Company.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all applicable code provisions of the Corporate Governance Code. Code provision B.2.2 of the Corporate Governance Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The terms of the second session of the Board of the Company had expired on 18 November 2022. As the re-election of the Board was still in preparation at that time, in order to ensure the continuity of the relevant work of the Company, the Board postponed and completed the re-elections and elections of directors to the Company's third session of the Board at the 2022 annual general meetings of the Company held on 27 June 2023. All members of the Board continued to fulfill their respective duties and responsibilities in accordance with the requirements of the laws and regulations and the articles of association of the Company until the re-elections were completed. Save as disclosed above, throughout the Year, the Company was in compliance with the applicable code provisions in Part 2 of the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

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

CLOSURES OF REGISTER OF MEMBERS

2023 AGM

The 2023 AGM is scheduled to be held on Wednesday, 26 June 2024. For the purpose of determining the Shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Wednesday, 26 June 2024 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend the 2023 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 Unlisted Shareholders), not later than 4:30 p.m. on Friday, 24 May 2024.

Proposed Distribution of the 2023 Final Dividend

The Board proposes a payment of a cash dividend of RMB0.15 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB300,000,000 (tax inclusive) as the 2023 Final Dividend for the year ended 31 December 2023. The proposal for such dividend payment is subject to consideration and approval by the Shareholders at the 2023 AGM, and, if approved, such dividend will be payable to the Domestic Unlisted Shareholders and the H Shareholders whose names appeared on the register of members of the Company on Tuesday, 9 July 2024. Such dividend will be denominated and declared in Renminbi, and will be paid to the Domestic Unlisted 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 2023 AGM (that is, Wednesday, 26 June 2024) as announced by the People's Bank of China. The share register of the Company will be closed from Thursday, 4 July 2024 to Tuesday, 9 July 2024 (both days inclusive), during which no transfer of Shares will be registered. In order to be entitled to the 2023 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 Unlisted Shareholders) by no later than 4:30 p.m. on Wednesday, 3 July 2024.

The Board has scheduled to distribute the 2023 Final Dividend on Friday, 30 August 2024. Announcement(s) will be published by the Company as soon as practicable and in accordance with the Listing Rules for any changes to the expected date of dividend payment.

Tax on Dividends

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

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

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

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Wednesday, 3 July 2024, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People's Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

DEFINITIONS

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

"2023 AGM"	the 2023 annual general meeting of the Company to be convened and held on Wednesday, 26 June 2024 or the adjournment thereof
"2023 Final Dividend"	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.15 (tax inclusive) per Share
"Advertisement Business"	the business of the Group in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"China", "PRC" or "State"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Company"	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Deshang and Shennan Expressways"	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
"Deshang Expressway (Liaocheng – Fan County section)"	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 kilometers
"Director(s)"	director(s) of the Company

"Domestic Unlisted 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 Unlisted Shareholder(s)"	holder(s) of the Domestic Share(s)
"ETC"	electronic toll collection system to collect tolls electronically by using automatic vehicle identification technology without the need for vehicles to stop for payment
"Expressway Business"	the Group's business in relation to the construction, maintenance, operation and management of the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign invested ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
"H Shareholder(s)"	holders of H Share(s)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS"	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jihe Expressway"	Jinan – Guangzhou Expressway (Jinan to Heze Section), the expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province, with a length of approximately 153.6 kilometers
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

"Qilu Expressway Assembly"	Qilu Expressway (Shangdong) Assembly Company Limited (齊魯高速(山東)裝配有限公司), a limited liability company established under the laws of the PRC and a subsidiary held by the Company directly and indirectly through Qilu Expressway (Hong Kong) Company Limited as to an aggregate of 60% of its equity interest
"R&E Project"	the reconstruction and expansion project of the Jihe Expressway
"Reporting Period" or "Year"	the year ended 31 December 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Shandong Gangtong Construction"	Shandong Gangtong Construction Co., Ltd. (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement
"Shandong Hi-Speed Group"	Shandong Hi-Speed Group Company Limited (山東高速集團有限公司), a limited liability company incorporated in the PRC, holding approximately 38.93% of the total issued Shares as at the date of this announcement
"Shandong Shunguang Industrial"	Shandong Shunguang Industrial Development Company Limited (山東舜廣實業發展有限公司), a limited liability company incorporated under the laws of the PRC, a wholly owned subsidiary of the Company as at the date of this announcement
"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)

"Shennan Expressway"	an expressway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan – Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 kilometers
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the supervisory committee of the Company established pursuant to the Company Law of the People's Republic of China
"%"	per cent

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

Shandong, the PRC
26 March 2024

As at the date of this announcement, the executive Directors are Mr. Wang Zhenjiang, Mr. Peng Hui and Mr. Liu Qiang; the non-executive Directors are Mr. Ma Xianghui, Ms. Kong Xia, Mr. Su Xiaodong, Mr. Kang Jian, Mr. Wang Gang, Mr. Shi Jinglei and Mr. Du Zhongming; and the independent non-executive Directors are Mr. Liu Hongwei, Mr. He Jiale, Mr. Wang Lingfang, Mr. Leng Ping and Ms. Shen Chen.