

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

(Stock Code: 1576)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Qilu Expressway Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiary for the six months ended 30 June 2018. This interim results announcement, containing the full text of the 2018 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results and have been reviewed by the audit committee of the Company.

The printed version of the Company's 2018 interim report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.qlecl.com around the end of September 2018.

By order of the Board
Qilu Expressway Company Limited
Li Gang
Chairman

Shandong, the PRC
29 August 2018

As at the date of this announcement, the executive Directors are Mr. Li Gang and Mr. Peng Hui; the non-executive Directors are Mr. Chen Dalong, Mr. Wang Shaochen, Mr. Wu Dengyi, Mr. Li Jie, Mr. Wang Long and Mr. Su Xiaodong; and the independent non-executive Directors are Mr. Wu Yuxiang, Mr. Cheng Xuezhao, Mr. Li Hua and Mr. Wang Lingfang.

Contents

Definitions	2
Corporate Information	4
Management Discussion and Analysis	7
Other Information	13
Report on Review of Interim Financial Information	19
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	22
Condensed Consolidated Statement of Changes in Equity	24
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Interim Financial Information	27

Definitions

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

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Company” or “our 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 pursuant to the reorganisation of the Jihe Expressway Company
“Company Law” or “PRC Company Law”	Company Law of the People's Republic of China (《中華人民共和國公司法》)
“Continuing Operations”	the business operations carried out by our Group in relation to the expressway business and the advertisement business
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Global Offering”	the offer of the Company's H Shares for subscription by the public in Hong Kong and outside the United States in offshore transactions, details of which can be found in the Prospectus
“Group”, “our Group”, “us” or “we”	our Company and, except where the context otherwise requires, all of its subsidiaries
“H Share(s)”	the overseas listed foreign invested ordinary Share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“HK\$” or “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jihe Expressway”	Jinan (濟南) to Heze (荷澤) Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
“Jihe Expressway Company”	Shandong Jihe Expressway Company Limited* (山東濟荷高速公路有限公司), a limited liability company incorporated in the PRC on 6 January 2004 and the predecessor of our Company

Definitions (Continued)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Nomination Committee”	the Nomination Committee of the Board
“PRC”	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering
“Qilu Transportation”	Qilu Transportation Development Group Company Limited* (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board
“Reporting Period”	six months ended 30 June 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	Domestic Shares and/or H shares (as the case may be)
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the Strategy Committee of the Board
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	our supervisory committee established pursuant to the Company Law

* For identification purposes only

Corporate Information

COMPANY NAME

Qilu Expressway Company Limited

LEGAL REPRESENTATIVE

Mr. Li Gang

BOARD OF DIRECTORS

Executive Directors

Mr. Li Gang
Mr. Peng Hui

Non-Executive Directors

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Wu Dengyi
Mr. Li Jie
Mr. Wang Long
Mr. Su Xiaodong

Independent Non-Executive Directors

Mr. Wu Yuxiang
Mr. Cheng Xuezhao
Mr. Li Hua
Mr. Wang Lingfang

BOARD COMMITTEES

Audit Committee

Mr. Wu Yuxiang (*Chairman*)
Mr. Li Hua
Mr. Wang Shaochen

Remuneration and Appraisal Committee

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

Nomination Committee

Mr. Li Gang (*Chairman*)
Mr. Li Hua
Mr. Wang Lingfang
Mr. Wu Yuxiang

Strategy Committee

Mr. Li Gang (*Chairman*)
Mr. Peng Hui
Mr. Wang Shaochen
Mr. Wu Yuxiang
Mr. Li Hua

Corporate Information (Continued)

SUPERVISORY COMMITTEE

Chairman of the Supervisory Committee

Ms. Meng Xin

Shareholder Representative Supervisors

Mr. Liu Ligang

Mr. Wu Yongfu

Employee Supervisors

Mr. Lian Shengguo

Mr. Hao Dehong

Ms. Hou Qinghong

Independent Supervisors

Mr. Wei Zhihai

Ms. Jiang Xiaoyun

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo

Ms. So Shuk Yi Betty

AUTHORISED REPRESENTATIVES

Mr. Li Gang

Ms. So Shuk Yi Betty

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor,

Prince's Building,

Central, Hong Kong

LEGAL ADVISER AS TO PRC LAW

DeHeng Law Offices (Jinan)

6/F, Building 5, Yulan Square,

No.8 Long'ao Road North, Lixia District,

Jinan City, PRC

LEGAL ADVISER AS TO HONG KONG LAW

Li & Partners

22/F, World-Wide House,

19 Des Voeux Road Central,

Central, Hong Kong

COMPLIANCE ADVISER

Zhongtai International Capital Limited

19/F, Li Po Chun Chambers,

189 Des Voeux Road Central,

Central, Hong Kong

REGISTERED ADDRESS

Room 2301, Block 4,

Zone 3, Hanyu Financial & Business Centre,

No. 7000, Jingshi East Road,

High-tech Zone, Jinan City,

Shandong Province, PRC

Corporate Information (Continued)

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation,
Changqing sub-branch
Industrial Bank Co., Ltd.,
Jinan High-tech Zone sub-branch

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

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

COMPANY WEBSITE

www.qlecl.com

STOCK CODE

1576

Management Discussion and Analysis

FINANCIAL REVIEW

Continuing Operations

Our Continuing Operations comprise our expressway business for the construction, maintenance, operation and management of the Jihe Expressway, and our advertisement business for the leasing of advertisement billboards along the Jihe Expressway and provision of advertisement publication services on the billboards. During the Reporting Period, our revenue comprised primarily the toll income from the Jihe Expressway.

Revenue

For the six months ended 30 June 2018, the revenue from our Continuing Operations was approximately RMB448,685,000, representing a decrease of approximately 14.49% as compared to approximately RMB524,692,000 in the corresponding period of last year. During the Reporting Period, toll income from the Jihe Expressway was approximately RMB446,225,000, representing a decrease of 14.48% as compared to approximately RMB521,802,000 in the corresponding period of last year. The decrease in the toll income was due to the reason that trucks with five axles or above were restricted from using the Jinan-Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section) and the closure of both directions of G35 Xiaoxujia to Lingdian Interchange since 1 November 2017, vehicles travelling between eastern Shandong Province (and surrounding areas like Weifang City and Zibo City) and Heze City (and areas such as northern Jiangsu and Henan Province) could not use G20 and G35 (Jinan-Qingdao Expressway and Jihe Expressway), but were diverted to use G15 and G1511 (Shenyang-Haikou Expressway and Rizhao-Dongming Expressway). During the Reporting Period, the daily traffic flow of the Jihe Expressway was approximately 51,400 vehicles on average, representing a slight decrease while maintaining stability over the daily traffic flow. The majority of vehicles affected by the construction of Jinan-Qingdao Expressway were trucks passing along the Jihe Expressway, the per vehicle toll contribution of which was relatively significant, resulting in a decrease in both traffic flow and toll income.

In addition to the toll income, we also recorded rental income from leasing the communication pipes along the Jihe Expressway, service income from the road clearance services for the traffic accidents and service income derived from advertisement publication services and leasing advertisement billboards along both sides of the Jihe Expressway. During the Reporting Period, other than toll income, the revenue from other Continuing Operations was approximately RMB2,460,000, representing a decrease as compared to approximately RMB2,890,000 for the corresponding period of last year.

Cost and Gross Profit

During the Reporting Period, the cost and gross profit from our Continuing Operations were approximately RMB146,088,000 and RMB302,597,000, respectively, as compared to approximately RMB141,296,000 and RMB383,396,000 for the corresponding period of last year, representing a year-on-year increase of approximately 3.39% and decrease of approximately 21.07%, respectively. The gross profit margin of the Group was approximately 67.44% for the Reporting Period, representing a year-on-year decrease of approximately 5.63 percentage points as compared with approximately 73.07% in the corresponding period in 2017. Costs of our Group were mainly due to amortisation of intangible assets, staff costs and maintenance costs of the Jihe Expressway.

Other Gains

During the Reporting Period, the other gains from our Continuing Operations was approximately RMB1,918,000 (the corresponding period of 2017: approximately RMB3,810,000), which mainly comprised of compensation income from road damages and gains on disposal of property, plant and equipment.

Management Discussion and Analysis (Continued)

Administrative Expenses

During the Reporting Period, the administrative expenses from our Continuing Operations was approximately RMB21,988,000, representing an increase of approximately 21.97% as compared to approximately RMB18,028,000 for the corresponding period of last year. Administrative expenses of our Group were mainly expended on salaries and wages, depreciation of property, plant and equipment, transportation expenses and listing expenses.

Finance Income

During the Reporting Period, our finance income was approximately RMB2,139,000, representing an increase of approximately 11.29% as compared to approximately RMB1,922,000 for the corresponding period of last year. The finance income of our Group was interest on bank deposits.

Finance Costs

During the Reporting Period, our finance costs were approximately RMB17,871,000, representing a decrease of approximately 22.93% as compared to approximately RMB23,187,000 for the corresponding period of last year. During the Reporting Period, the finance costs decreased due to the repayment of certain bank loans.

Profit for the Period from Continuing Operations

During the Reporting Period, profit attributable to equity holders of the Group from the Continuing Operations was approximately RMB199,960,000, representing a decrease of approximately 23.48% as compared to approximately RMB261,305,000 of profit attributable to equity holders of the Group for the corresponding period of last year. The decrease in the profit from Continuing Operations during the period was primarily due to the decrease in toll income from the expressways during the Reporting Period.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its operation and capital expenditures with the Company's internal resources and long-term bank loans at floating interest rate. As at 30 June 2018, total bank loans of the Group amounted to approximately RMB755,000,000 (31 December 2017: approximately RMB825,000,000)(which are all RMB-denominated), and total cash and cash equivalents (including bank deposits and cash) were approximately RMB369,460,000 (31 December 2017: approximately RMB415,835,000). The details of the Group's bank loans and borrowings are set out in Note 15 to the financial statements in this report.

The Group has always pursued a prudent capital management policy and actively managed its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital in future development. As at 30 June 2018, the gearing ratio of the Group's total outstanding bank loans to total equity was approximately 32.86% (31 December 2017: approximately 33.31%).

Management Discussion and Analysis (Continued)

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Employees, Remuneration Policy and Pension Plans

As at 30 June 2018, our Group employed a total of 412 (as at 30 June 2017: 411) employees in China, including the management staff, engineers, technicians, etc. During the Reporting Period, the Group's total expense on the remuneration of employees was approximately RMB31,039,000 (2017: approximately RMB31,602,000).

The Group has established a comprehensive and competitive remuneration and welfare system for its staff. The Group's remuneration policies are formulated based on the performance of individual employees, which will be reviewed periodically. The Group pays "five social insurances and one housing fund" to its employees in accordance with the law, and provided them with supplementary medical insurance, corporate annuity and other customized welfare security plans. Meanwhile, employees are entitled to discretionary bonuses according to the assessment of individual performance.

Foreign Exchange Risk

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

As at 30 June 2018, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation 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 DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the six months ended 30 June 2018.

Management Discussion and Analysis (Continued)

PLEDGE OF ASSETS

During the Reporting Period, the Group did not pledge any of its assets.

BUSINESS REVIEW

In the first half of 2018, the Company continuously strengthened the operation and management of the Jihe Expressway project on the basis of promoting the listing of the Company, and strived to reduce the negative impact caused by the construction of Jinan-Qingdao Expressway. In light of the continuous impact of macroeconomic development and the expressway network systems in areas along the Jihe Expressway, the traffic flow of Jihe Expressway slightly decreased from approximately 51,800 vehicles per day during the six months ended 30 June 2017 to approximately 51,400 vehicles per day during the Reporting Period. As to trucks with five axles or above are restricted from using the Jinan-Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section) and the closure of both directions of G35 Xiaoxujia to Lingdian Interchange, as well as the change of vehicle structures and travel distance of traffic flow, total toll income decreased by approximately 14.48% to approximately RMB446.2 million for the Reporting Period. During the Reporting Period, the Group recorded a total revenue of approximately RMB448.7 million, representing a year-on-year decrease of approximately 14.49%, among which, toll income was approximately RMB446.2 million, representing a year-on-year decrease of approximately 14.48%; revenue from advertisement business and other businesses was approximately RMB2.5 million, representing a year-on-year decrease of approximately 14.91%. During the Reporting Period, the Group achieved operating profit of approximately RMB282.5 million, representing a year-on-year decrease of approximately 23.47%. Profit for the period from continuing operations was approximately RMB199.96 million, and earnings per share was approximately RMB0.13.

Items	During the Reporting Period		During the same period last year		Year-on-year increase
	Traffic flow (ten thousand vehicles/day)	Percentage (%)	Traffic flow (ten thousand vehicles/day)	Percentage (%)	
Trucks	1.70	33.09	1.94	37.51	-12.37%
Passenger vehicles	3.44	66.91	3.24	62.49	6.17%
Total traffic flow	5.14	100.00	5.18	100.00	-0.77%
Average daily income (RMB'000/day)	2,539.29		2,969.37		-14.48%

However, the toll income contributed by trucks using the Jihe Expressway was significantly higher than that by passenger vehicles. The decrease in the toll income of each vehicle during the Report Period was mainly due to the following factors: the decrease in the number of trucks using the whole Jihe Expressway as a result of the construction of the Jinan-Qingdao Expressway; the negative impact on the average toll of each vehicle according to the weight-based toll rate system as a result of the special traffic control over vehicles continuously conducted in Shandong Province, including a higher toll charged on trucks exceeding the gross vehicle weight and above maximum loading; and the new traffic flow of the Jihe Expressway were mainly passenger vehicles, the toll of which was lower than that of trucks. The average toll income per vehicle fell from approximately RMB57.32 for the six months ended 30 June 2017 to approximately RMB49.41 for the Reporting Period. The restriction on trucks with five axles or above will be lifted when the construction of the Jinan-Qingdao Expressway is completed. It is expected that there will be heavy traffic flow diverted from the Jinan-Qingdao Expressway to the Jihe Expressway. Despite the foregoing, in view of the relatively stable traffic flow of the Jihe Expressway, the management is confident about the future prospects of the Jihe expressway.

Management Discussion and Analysis (Continued)

In addition, the advertisement business along the Jihe Expressway, the rental income from leasing the communication pipelines along the Jihe Expressway and the service income from road clearance services for traffic accidents also contributed revenue to the Group.

PROSPECTS

Located in Shandong Province, one of China's provinces with strong economic strength and rapid development, the Jihe Expressway forms part of the "Fifth Connecting" Line and the Eight Vertical Line of the Shandong 9-5-1-7 Expressway Network, which occupies an important strategic position and is one of the expressways with economic potential. In the first half of 2018, the domestic macro economy maintained stability with good momentum and the trend is expected to continue in the second half of the year. In terms of the operations in the first half of the year, in view of the satisfactory and stable traffic flow of passenger cars and trucks using the Jihe Expressway, and benefited from the development of macro and regional economy, it is expected that both the per entry traffic flow and the overall traffic flow of the Group will maintain relative stability in 2018. Meanwhile, due to the diversion impact arising from the construction of the Jinan-Qingdao Expressway, it is expected that the traffic flow, vehicle structure and toll income will be negatively affected in the second half of 2018. The Group will continue to enhance the management of operations and create more comfortable traffic environment through optimizing the functions of the toll collection system to attract more vehicles to use the Jihe Expressway and reduce the impact on the traffic flow of the Jihe Expressway caused by the diversion arising from the construction of surrounding expressways. The completion of the expansion works of Jinan-Qingdao Expressway will substantially and positively contribute to the increase of traffic flow and toll income of the Jihe Expressway. In addition, the Group also pays close attention to the road resources in the PRC, in particular, in Shandong Province, and looks out for opportunities to acquire and operate, manage or invest in road and bridge-related projects to continuously expand its business scope and gain satisfactory investment returns. With the development of the macro economy, the expanding business scope and the constant improvement of expressway networks, the management of the Group is fully confident about the prospect of the Jihe Expressway.

Based on the overall operations in the second half of the year, in order to ensure the achievement of the annual operating goal and be well prepared for the future strategic development, the Group will focus on developing its business in the following manners:

1. Focusing on its main business to improve operating capability. The Group will pay more attention to its main business, increase operation management and the application of modern information technology, and continuously explore scientific management to comprehensively improve its operating capability. Meanwhile, the Group will maintain its capability in ensuring smooth traffic, and further strengthen the management of toll collection operation, road clearance, coordination and information service to ensure the good technical condition of the road, and to effectively improve road operating efficiency and service quality.
2. Using funds to expand business scope reasonably. The Group and the Strategy Committee will step up its study on fund-raising projects, select suitable road and bridge-related asset projects, reasonably formulate the investment schedule and amount in strict accordance with the use of raised funds, expand the scope of operation and management, strengthen the application of information technologies and management of road maintenance, in order to enhance the market competitiveness and the ability to withstand market risks, and further expand the asset size of the main businesses and improve profitability in the future.

Management Discussion and Analysis (Continued)

3. Taking full advantage of the capital platform to optimize business structure. In view of the future development of the expressways and the Group's sustainable development needs, the Group will give full play to the role of investment and financing platform as a listed company, make great efforts to explore capital market resources, continuously expand financing channels, improve capital efficiency, innovate investment and financing methods, and continuously optimize its business structure, so as to increase capital gains and achieve sustainable development.

EVENTS AFTER THE REPORTING PERIOD

The Global Offering of the Company was completed after the Reporting Period, and H Shares of the Company were listed on the Main Board of the Stock Exchange on 19 July 2018.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company have been listed and traded on the Stock Exchange since 19 July 2018. The proceeds of the Company from the Global Offering amounted to HK\$1.25 billion. After deducting related listing expenses, the Company will apply all of those proceeds raised from the Global Offering towards the uses as disclosed in the Prospectus.

PUBLICATION AND DISPATCH OF INTERIM REPORT

This report is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qlecl.com), and the 2018 interim report of the Group containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

SHARE CAPITAL

As at 30 June 2018, the Company issued 1,500,000,000 Shares with a nominal value of RMB1.00 each (the total issued share capital amounted to RMB1,500,000,000), which was divided into 900,000,000 Domestic Shares and 600,000,000 unlisted foreign shares of the Company.

On 19 July 2018, the Company conducted the initial public offering of 500,000,000 H Shares on the Stock Exchange and the existing 600,000,000 unlisted foreign shares were converted into H Shares. Upon the H Share issue, the Company issued a total of 2,000,000,000 Shares with a nominal value of RMB1.00 each (the total issued share capital amounted to RMB2,000,000,000), which was divided into 1,100,000,000 H Shares and 900,000,000 Domestic Shares.

Share capital as at 30 June 2018 was as follows:

Class of Shares	Number of Shares	Approximate percentage to the total issued share capital of the Company
Domestic Shares	900,000,000	60.00%
Unlisted foreign shares	600,000,000	40.00%
Total	1,500,000,000	100%

Share capital as at 19 July 2018 was as follows:

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

Other Information (Continued)

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

As at 30 June 2018, the Company was not listed on the Main Board of the Stock Exchange, thus Section 336 of the SFO was not applicable.

On 19 July 2018, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and the senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total issued share capital of the Company	Long position/ short position
Qilu Transportation	778,500,000	Beneficial interest	Domestic Shares	86.50%	38.93%	Long position
COSCO SHIPPING (Hong Kong) Co., Limited	600,000,000	Beneficial interest	H Shares	54.55%	30.00%	Long position
China Ocean Shipping Company Limited ⁽¹⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited ⁽¹⁾	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
Shenhua National Power Shandong Construction Group Limited*	121,500,000	Beneficial interest	Domestic Shares	13.50%	6.08%	Long position
Shenhua National Power Group Company Limited ⁽²⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited ⁽²⁾	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited ⁽³⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Other Information (Continued)

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total issued share capital of the Company	Long position/ short position
Prudential Holdings Limited ⁽³⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited ⁽³⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential plc ⁽³⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited ^{*(4)}	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation ⁽⁴⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Shandong Hi-Speed Investment Holdings Co., Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Shandong Hi-Speed Group Co., Ltd. ⁽⁶⁾	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Other Information (Continued)

Notes:

- (1) COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Ocean Shipping Company Limited*. China Ocean Shipping Company Limited* is wholly owned by China COSCO Shipping Corporation Limited*. Therefore, China Ocean Shipping Company Limited* and China COSCO Shipping Corporation Limited* are deemed to be interested in the H shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.
- (2) Shenhua National Power Shandong Construction Group Limited* is wholly owned by Shenhua National Power Group Company Limited*. Shenhua National Power Group Company Limited* is wholly owned by China Energy Investment Corporation Limited. Therefore, Shenhua National Power Group Company Limited* and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Shenhua National Power Shandong Construction Group Limited* under the SFO.
- (3) 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
- (4) Remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited*. CITIC Corporation Limited* is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited*, CITIC Limited, CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.
- (5) Shandong Hi-Speed Investment Holdings Co., Ltd is wholly owned by Shandong Hi-Speed Group Co., Ltd. Therefore, Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the H Shares held by Shandong Hi-Speed Investment Holdings Co., Ltd.

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

As at 30 June 2018, the Company was not listed on the Main Board of the Stock Exchange, thus Section 352 of the SFO and Model Code were not applicable.

On 19 July 2018, none of our Directors, Supervisors or chief executives and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company or its subsidiaries did not repurchase, sell or redeem any of the Company's Shares.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Wu Yuxiang, Mr. Cheng Xuezhan, Mr. Li Hua and Mr. Wang Lingfang were appointed as independent non-executive Directors of the Company in the Company's 2017 second extraordinary general meeting held on 26 June 2017 and the appointments took effect on 7 June 2018. The term for the above appointments as independent non-executive Directors shall terminate upon the expiry of the term of the current session of the Board.

Mr. Wei Zhihai and Ms. Jiang Xiaoyun were appointed as independent Supervisors of the Company in the Company's 2017 second extraordinary general meeting held on 26 June 2017 and the appointments took effect on 7 June 2018. The term for the above appointments as independent Supervisors shall terminate upon the expiry of the term of the current session of the Supervisory Committee.

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

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

CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

Saved as disclosed in this report, during the Reporting Period, there was no information of Directors and Supervisors which shall be disclosed under the Rule 13.51B(1) of Listing Rules and there was no change in any disclosed information.

MATERIAL LITIGATION AND ARBITRATION

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

CORPORATE GOVERNANCE

The Directors recognize the importance of good corporate governance in the management of the Group. As the Company was listed on 19 July 2018, the Company was not required to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Reporting Period. The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules from 19 July 2018, where applicable.

Other Information (Continued)

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct for securities transactions by the Directors. As the Company was not listed during the Reporting Period, Model Code was not applicable to the Company during the Reporting Period. Upon specific enquiries made to each Director by the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code from 19 July 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2018.

SHARE OPTION SCHEME

As of the date of this report, the Company had no share option scheme.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF QILU EXPRESSWAY COMPANY LIMITED

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 40, which comprises the condensed consolidated statement of financial position of Qilu Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

OTHER MATTER

The comparative information for the condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2017. The comparative information for the condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2017 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2018

Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2018

		Unaudited Six months ended 30 June	
	Note	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue		448,685	524,692
Cost of sales		(146,088)	(141,296)
Gross profit		302,597	383,396
Other gains – net		1,918	3,810
Administrative expenses		(21,988)	(18,028)
Operating profit		282,527	369,178
Finance income		2,139	1,922
Finance costs		(17,871)	(23,187)
Profit before income tax		266,795	347,913
Income tax expense	7	(66,835)	(86,608)
Profit for the period from continuing operations		199,960	261,305
Discontinued operations			
Profit for the period from discontinued operations	6	–	32,032
Profit and total comprehensive income for the period		199,960	293,337

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the Six Months ended 30 June 2018

		Unaudited Six months ended 30 June	
	Note	2018 RMB'000	2017 RMB'000
Profit and total comprehensive income attributable to:			
– Owners of the Company		199,960	290,585
– Non-controlling interests		–	2,752
		199,960	293,337
Profit and total comprehensive income attributable to owners of the Company arising from:			
– Continuing operations		199,960	261,305
– Discontinued operations		–	29,280
		199,960	290,585
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the period (expressed in RMB per share)			
Basic and diluted earnings per share	9		
– From continuing operations		0.13	0.17
– From discontinued operations		–	0.02
		0.13	0.19

The notes on pages 27 to 40 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As At 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	129,009	138,822
Investment properties	11	5,619	–
Intangible assets	12	2,787,851	2,873,700
Deferred income tax assets		–	299
Other receivables		3,422	3,422
Total non-current assets		2,925,901	3,016,243
Current assets			
Inventories		980	1,553
Trade and other receivables	13	211,187	204,255
Cash and cash equivalents		369,460	415,835
Total current assets		581,627	621,643
Total assets		3,507,528	3,637,886

Condensed Consolidated Statement of Financial Position (Continued)

As At 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital	14	1,500,000	1,500,000
Capital reserves		361,316	361,316
Other reserves		89,939	89,939
Retained earnings		346,481	525,730
Total equity		2,297,736	2,476,985
Liabilities			
Non-current liabilities			
Borrowings	15	430,000	540,000
Trade and other payables	17	25,103	28,313
Deferred income tax liabilities		25,686	31,157
Total non-current liabilities		480,789	599,470
Current liabilities			
Trade and other payables	17	67,883	158,046
Dividend payables	8	170,400	–
Current income tax liabilities		38,490	21,155
Borrowings	15	325,000	285,000
Provisions	16	127,230	97,230
Total current liabilities		729,003	561,431
Total liabilities		1,209,792	1,160,901
Total equity and liabilities		3,507,528	3,637,886

The notes on pages 27 to 40 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2018

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2018	1,500,000	361,316	89,939	525,730	2,476,985	–	2,476,985
Comprehensive income							
Profit for the period	–	–	–	199,960	199,960	–	199,960
Total comprehensive income for the period ended 30 June 2018	–	–	–	199,960	199,960	–	199,960
Transactions with owners in their capacity as owners							
Dividends relating to 2017	–	–	–	(379,209)	(379,209)	–	(379,209)
Total transactions with owners, recognised directly in equity	–	–	–	(379,209)	(379,209)	–	(379,209)
Balance at 30 June 2018	1,500,000	361,316	89,939	346,481	2,297,736	–	2,297,736

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months ended 30 June 2018

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserves	Other reserves	Retained earnings	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017	1,500,000	361,316	35,650	334,636	2,231,602	25,336	2,256,938
Comprehensive income							
Profit for the period	–	–	–	290,585	290,585	2,752	293,337
Total comprehensive income for the period ended 30 June 2017	–	–	–	290,585	290,585	2,752	293,337
Transactions with owners in their capacity as owners							
Dividends relating to 2016	–	–	–	(282,769)	(282,769)	–	(282,769)
Effect of disposal of subsidiaries	–	–	–	–	–	(28,088)	(28,088)
Total transactions with owners, recognised directly in equity	–	–	–	(282,769)	(282,769)	(28,088)	(310,857)
Balance at 30 June 2017	1,500,000	361,316	35,650	342,452	2,239,418	–	2,239,418

Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	319,746	472,179
Interest received	2,139	1,999
Income tax paid	(54,569)	(85,561)
Net cash generated from operating activities	267,316	388,617
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	49	53,544
– Continuing operations	49	–
– Discontinued operations	–	53,544
Proceeds from disposal of investment properties	–	31,960
Proceeds from other investing activities	–	(3,373)
Purchase of property, plant and equipment and intangible assets	(7,503)	(3,169)
Net cash (used in)/generated from investing activities	(7,454)	78,962
Cash flows from financing activities		
Repayment of borrowings	(70,000)	(105,000)
Interest paid	(17,871)	(26,697)
Dividends paid to the Company's shareholders	(208,809)	(282,769)
Listing costs paid	(9,557)	(3,484)
Net cash used in financing activities	(306,237)	(417,950)
Net (decrease)/increase in cash and cash equivalents	(46,375)	49,629
Cash and cash equivalents at the beginning of the period	415,835	367,549
Cash and cash equivalents at the end of the period	369,460	417,178

Notes to the Condensed Consolidated Interim Financial Information

For the Six Months ended 30 June 2018

1 GENERAL INFORMATION

Qilu Expressway Company Limited (the “Company”) is principally engaged in the construction, maintenance, operation and management of the Jihe Expressway in Shandong Province in the People’s Republic of China (the “PRC”), and was entitled to toll collection from vehicles passing through the Jihe Expressway for a period of 30 years, starting from 26 September, 2004 to 25 September, 2034, its subsidiary (together with the Company, the “Group”) engaged in the outdoor advertising production and distribution along the Jihe Expressway. The Group has operations mainly in Shandong province in the PRC.

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2017 set out in the accountant’s report (“Accountant’s Report”) included in the Company’s prospectus dated 29 June 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those set out in the Accountant’s Report except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

In the Reporting Period, the Group has applied, for the first time, HKFRS 2 (Amendments), HKFRS 9 HKFRS 15 (Amendments), HKAS 28 (Amendments), HKAS 40 (Amendments) and HK (IFRIC) 22 issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Reporting Period. Accordingly, the Group had to change its accounting policies as set out below.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

(i) HKFRS 9 Financial Instruments

HKFRS 9 'Financial Instruments'. HKFRS 9 (2014), 'Financial instruments' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in combined statements of comprehensive income.

HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39.

HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables, this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

(ii) HKFRS 15 Income recognition

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The application of the above new or revised standards and amendments in the Reporting Period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial information.

(b) Impact of standards issued but not yet applied by the Group

The HKICPA has issued the following new standards, amendments to standards and interpretations which are not yet effective for the financial period beginning on or after 1 January 2018.

		Effective for accounting year beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Annual improvement project	Annual Improvement 2015–2017 Cycle	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 as set out in the Accountant's Report.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchanges risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017 as set out in the Accountant's Report.

There have been no changes in the risk management policies since year ended 31 December 2017.

5.2 Liquidity risk

Compared to the year ended 31 December 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Capital risk management

There have been no changes in the capital risk management policies since year ended 31 December 2017.

5.4 Fair value estimation

The carrying amounts of the financial assets and liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

6 DISCONTINUED OPERATIONS

The Company had subsidiaries, 山東濟荷高速石化油氣管理有限公司 (Shandong Jihe Expressway Petroleum Management Company Limited) ("Jihe Petroleum") and Shandong Jihe Expressway Service Company Limited (山東濟荷高速服務有限公司) ("Jihe Service"), which were principally engaged in the sales of petrochemical, oil and gas, and the provision of service area leasing and management services (the "Disposed Business"). The Company disposed Jihe Petroleum and Jihe Services together with certain property, plant and equipment and investment properties of the Company directly attributed to the Disposed Business in April 2017. Accordingly, the operating result of the Disposed Business was presented as discontinued operations.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

6 DISCONTINUED OPERATIONS (CONTINUED)

- (a) The results of the discontinued operations during the financial period, which have been included in the condensed consolidated statements of comprehensive income, were as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Revenue	—	112,500
Expenses	—	(106,653)
Profit before tax of discontinued operations	—	5,847
Tax on profit	—	(1,960)
Profit after tax of discontinued operations	—	3,887
Profit on disposal	—	43,630
Including:		
– Gain on disposal of the Company's property, plant and equipment before tax	—	23,983
– Gain on disposal of the Company's investment properties before tax	—	13,738
– Gain on disposal of subsidiaries before tax	—	5,909
Income tax on disposal gain	—	(15,485)
After tax profit recognised on the disposal	—	28,145
Profit for the period from discontinued operations	—	32,032
Profit for the period attributable to:		
– Owners of the Company	—	29,280
– Non-controlling interests	—	2,752
	—	32,032

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

6 DISCONTINUED OPERATIONS (CONTINUED)

- (b) The cash flows of the discontinued operations for the financial period, which have been included in the condensed consolidated cash flows, were as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Operating cash flows	—	7,281
Investing cash flows	—	85,505
Financing cash flows	—	(109)
Total cash flows	—	92,677

7 INCOME TAX EXPENSE

During the period, the Group is subject to PRC enterprise income tax, which has been provided at the rate of 25% on the estimated assessable profit for the period.

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC corporate income tax	72,007	98,151
Deferred income tax		
– Credit for the period	(5,172)	(11,543)
	66,835	86,608

8 DIVIDENDS

On 5 June 2018, the Company declared a dividend of approximately RMB0.253 per share, amounting to a total dividend of approximately RMB379,209,000, which was approved at the Company's shareholders meeting. As at 30 June 2018, approximately RMB208,809,000 of such dividend has been paid.

The board of the Company does not declare any interim dividend to shareholders for the six months ended 30 June 2018.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

9 EARNINGS PER SHARE

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

		Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Profit attributable to owners of the Company			
– Continuing operations		199,960	261,305
– Discontinued operations		–	29,280
		199,960	290,585
Weighted average number of ordinary shares in issue (thousands)		1,500,000	1,500,000
Basic earnings per share (expressed in RMB per share)			
– Continuing operations		0.13	0.17
– Discontinued operations		–	0.02
		0.13	0.19

10 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Ancillary equipment RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
At 31 December 2017							
Cost	114,593	5,764	19,782	12,169	23,437	–	175,745
Accumulated depreciation	(768)	(1,509)	(8,796)	(10,437)	(15,413)	–	(36,923)
Net book amount	113,825	4,255	10,986	1,732	8,024	–	138,822

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings RMB'000	Ancillary equipment RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
Period ended 30 June 2018							
Opening net book amount	113,825	4,255	10,986	1,732	8,024	–	138,822
Additions	–	–	21	–	1,583	–	1,604
Transfer to investment properties	(5,728)	–	–	–	–	–	(5,728)
Depreciation charges	(2,133)	(470)	(738)	(319)	(2,012)	–	(5,672)
Disposals	–	–	–	(17)	–	–	(17)
Closing net book amount	105,964	3,785	10,269	1,396	7,595	–	129,009
At 30 June 2018							
Cost	108,720	5,765	19,803	11,820	24,998	–	171,106
Accumulated depreciation	(2,756)	(1,980)	(9,534)	(10,424)	(17,403)	–	(42,097)
Net book amount	105,964	3,785	10,269	1,396	7,595	–	129,009

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

11 INVESTMENT PROPERTIES

Buildings
RMB'000

At 31 December 2017

Cost	—
Accumulated amortisation	—

Net book amount	—
------------------------	----------

Period ended 30 June 2018

Opening net book amount	—
Transferred in from property, plant and equipment	5,728
Depreciation charges	(109)

Closing net book amount	5,619
--------------------------------	--------------

At 30 June 2018

Cost	5,874
Accumulated depreciation	(255)

Net book amount	5,619
------------------------	--------------

Fair value at 30 June 2018	6,664
----------------------------	-------

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

12 INTANGIBLE ASSETS

Concession
intangible assets
RMB'000

At 31 December 2017

Cost	4,578,280
Accumulated amortisation	(1,704,580)

Net book amount	2,873,700
------------------------	------------------

Period ended 30 June 2018

Opening net book amount	2,873,700
Additions	631
Amortisation charges	(86,480)

Closing net book amount	2,787,851
--------------------------------	------------------

At 30 June 2018

Cost	4,578,911
Accumulated amortisation	(1,791,060)

Net book amount	2,787,851
------------------------	------------------

13 TRADE AND OTHER RECEIVABLES

Trade receivables amounted to approximately RMB181,887,000 (31 December 2017: approximately RMB181,627,000) mainly consists of toll road income receivable from Shandong Provincial Traffic Transport Department (山東省交通運輸廳) ("Shandong Transport Department") for uncollected expressway income as at relevant period end, of which is expected to be settled within three months. As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables were within three months.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

14 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
	<i>(thousands)</i>	<i>RMB'000</i>
At 30 June 2017 and 30 June 2018	1,500,000	1,500,000

On 19 July 2018, the Company newly issued 500,000,000 H shares of RMB1.00 each at HKD2.5 per share in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, and raised gross proceeds of approximately HKD1,250,000,000 (equivalent to RMB1,077,500,000).

15 BORROWINGS

	Unaudited	Audited
	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current	430,000	540,000
Current	325,000	285,000
	755,000	825,000
	Unaudited	Audited
	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	325,000	285,000
Between 1 and 2 years	205,000	295,000
Between 2 and 5 years	225,000	245,000
	755,000	825,000

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

15 BORROWINGS (CONTINUED)

Financing arrangements

The Group's undrawn borrowing facilities were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Floating rate		
Expiring within one year	960,000	960,000

16 PROVISIONS

	Unaudited Maintenance and resurfacing obligations RMB'000
Six months ended 30 June 2018	
Opening amount at 1 January 2018	97,230
Additional provisions	35,679
Utilisation of provision	(5,679)
Closing amount at 30 June 2018	127,230
Six months ended 30 June 2017	
Opening amount at 1 January 2017	64,145
Additional provisions	34,860
Utilisation of provision	(2,860)
Closing amount at 30 June 2017	96,145

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

17 TRADE AND OTHER PAYABLES

At 30 June 2018, the ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Trade payables		
Within 1 year	17,317	32,849
Between 1 and 2 years	2,421	–
	19,738	32,849

18 SIGNIFICANT RELATED-PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

(a) Information of related parties

	Relationship with the Group
Qilu Transportation Development Group Company Limited ("Qilu Transportation")	Shareholder of the Company
COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong))	Shareholder of the Company
Shenhua National Power Shandong Construction Group Limited ("Shandong Construction")	Shareholder of the Company
Shandong Provincial Traffic Transport Department	Parent office of Shandong Highway Bureau
Shandong Institute of Highway Technician	Subsidiary of Shandong Highway Bureau
Sinopec Marketing Co., Ltd. ("Sinopec Marketing")	Non-controlling interest of a subsidiary

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the Six Months ended 30 June 2018

18 SIGNIFICANT RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Significant Transactions with related parties

Discontinued operations	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Purchase of goods:		
– Sinopec Marketing	–	93,531
Rental fees:		
– Sinopec Marketing	–	170
Gas fee income received on behalf of the Group:		
– Sinopec Marketing	–	57,280

(c) Significant Balance with related parties

Continuing operations	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Trade and other receivables		
Trade receivables:		
– Shandong Provincial Traffic Transport Department	182,027	157,781
Other receivables:		
– Shandong Institute of Highway Technician	5,422	8,000
– Qilu Transportation	47	111,867
	187,496	277,648
Trade and other payables		
Other payables:		
– Qilu Transportation	25,103	28,313
Dividend payables		
– COSCO SHIPPING	151,684	–
– Shandong Construction	18,716	–
	170,400	–

19 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Except for the issuance of H Shares as disclosed in Note 14, there was no other significant subsequent event.