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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)

MAJOR TRANSACTION

THE CONSTRUCTION SECTION NO.8 CONTRACT FOR THE MAIN WORKS UNDER THE RECONSTRUCTION AND EXPANSION PROJECT OF THE JIHE EXPRESSWAY

THE CONSTRUCTION SECTION NO.8 CONTRACT

References are made to (i) the announcement of the Company dated 3 May 2021 in relation to the receipt of a notice by the Company from the Shandong Provincial Traffic Transport Department that the reconstruction and expansion project of Jihe Expressway has been listed as a project planned to be implemented under the “14th Five-Year Plan”, and the Company was required to accelerate the commencement of the relevant preliminary preparation works; and (ii) the announcement of the Company dated 20 May 2022 and the circular of the Company dated 20 July 2022 in relation to, among other things, certain main contracts for the reconstruction and expansion project of the Jihe Expressway and the transactions contemplated thereunder.

The Board is pleased to announce that the Company entered into the Construction Section No.8 Contract with Sichuan Road & Bridge Group on 27 July 2022 in relation to the main works under the reconstruction and expansion project of the Jihe Expressway after selecting the bid winners through standardised tender and bidding process.

LISTING RULES IMPLICATIONS

The Construction Section No.8 Contract will be accounted for as construction-in-progress at contractual payments. Under Chapter 14 of the Listing Rules, as all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Construction Section No.8 Contract and the transactions contemplated thereunder exceed 25% but are less than 100%, the Construction Section No.8 Contract and the transactions contemplated thereunder constitute a major transaction of the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM AND DESPATCH OF CIRCULAR

The Company will convene the EGM, at which resolution(s) will be proposed for, among other things, the Shareholders to consider and, it thought fit, approve the Construction Section No.8 Contract and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the transactions contemplated under the Construction Section No.8 Contract. Accordingly, no Shareholder is required to abstain from voting on the resolution(s) relating to the Construction Section No.8 Contract and the transactions contemplated thereunder to be considered at the EGM.

A circular containing, among other things, (i) further details of the Construction Section No.8 Contract and the transactions contemplated thereunder; and (ii) the notice of the EGM is expected to be despatched to the Shareholders on or before 31 August 2022, which is more than 15 business days after the publication of this announcement, as additional time is required for the Company to prepare certain information for inclusion in the circular.

THE CONSTRUCTION SECTION NO.8 CONTRACT

References are made to (i) the announcement of the Company dated 3 May 2021 in relation to the receipt of a notice by the Company from the Shandong Provincial Traffic Transport Department that the reconstruction and expansion project of Jihe Expressway has been listed as a project planned to be implemented under the "14th Five-Year Plan", and the Company was required to accelerate the commencement of the relevant preliminary preparation works; and (ii) the announcement of the Company dated 20 May 2022 and the circular of the Company dated 20 July 2022 in relation to, among other things, certain main contracts for the reconstruction and expansion project of the Jihe Expressway and the transactions contemplated thereunder.

The Board is pleased to announce that the Company entered into the Construction Section No.8 Contract with Sichuan Road & Bridge Group on 27 July 2022 in relation to the main works under the reconstruction and expansion project of the Jihe Expressway after selecting the bid winners through standardised tender and bidding process.

The principal terms and conditions of the Construction Section No.8 Contract are set out as follows:

Date : 27 July 2022

Parties : (i) the Company (as principal); and
(ii) Sichuan Road & Bridge Group (as contractor)

Subject matters : Sichuan Road & Bridge Group (as contractor) undertook to take on, among other things, the following road section works for the Construction Section No. 8 of the Main R&E Works on the Jihe Expressway from the Company:

Construction works for the road section starting from K176+587 and ending at K201+487 with a total length of approximately 24.9 km, which is classified as an expressway and has a designed speed of 120 km per hour, including, among other things, asphalt and concrete surface pavements, 6 grade-separated interchanges, 2 merging interchanges, 7 large and medium bridges and other structures.

Project sum : The total contract amount for this project shall be RMB1,737,548,458.60.

Prepayment : The prepayment amount shall be 10% of the total contract amount. Upon the contract agreement is signed by the contractor and the contractor's undertaken key personnel and equipment are stationed on-site and having been reviewed by the principal and as confirmed by the supervisor, the principal shall pay the contractor 70% of the prepayment for commencement of construction as stated in the current progress payment certificate; and shall further pay 30% of the prepayment upon the contractor's undertaken key equipment for road surface are stationed on-site.

Quality guarantee deposit : Within 14 days after the delivery inspection certificate is issued, the contractor shall pay a quality guarantee deposit to the principal. The quality guarantee deposit may be made in the form of bank guarantee or by cash or cheque and shall represent 3% of the total contract amount. The quality guarantee deposit paid shall bear no interest.

If the quality guarantee deposit is made in the form of bank guarantee, it shall be drawn by a stated-owned commercial bank or a national joint stock commercial bank branch or a bank of higher grade having the capacity to provide such guarantee in the format as approved by the principal at the expenses of the contractor.

- Wage deposit for migrant workers : The deposit amount shall be 1% of the contract amount, which shall be withheld by the principal in the proportion of 5% of the measurement amount in the measurement payment when in the form of cash, until the wage deposit for migrant workers reaches 1% of the contract amount. During the construction period, if the principal uses the deposit due to matters regarding the wage of migrant workers, resulting in the deposit amount falling below 1% of the contract amount, a lump-sum deduction will be made from the measurement payment for the next period, in order to keep the amount of wage deposit for migrant workers at 1% of the contract amount.
- Construction period : 916 calendar days
- Effective date : The Construction Section No.8 Contract shall be concluded upon the date on which it is signed and sealed by the parties to the contract, and shall take effect upon completion of the approval procedures as required under the Listing Rules, including relevant announcements and Shareholders' approval requirements.

BASIS OF DETERMINATION OF THE CONSIDERATION

The project sum of the Construction Section No.8 Contract is determined through tender process. The relevant laws and regulations governing the procedures of tenders and bids include the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) and the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) as promulgated by the NDRC. Pursuant to the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) promulgated by the NDRC, procurement of the General Highway Business Operation Services shall be subject to bidding if they meet any of the following thresholds: (i) estimated contract sum of over RMB4 million in respect of a single contract under a construction project; (ii) procurement of key machineries and materials with an estimated consideration of over RMB2 million for a single contract; or (iii) procurement of project survey, design, and supervision services with an estimated consideration of over RMB1 million.

The basic procedures for the bidding under the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) are as follows:

- (i) bid invitation documents shall be prepared and the bidding notice shall be issued by the tenderee in accordance with the provisions of the relevant laws and regulations;
- (ii) the bidder shall submit the bidding application and the tenderee shall, examine the bidder's qualification based on qualification examination standards such as the bidder's business licence, survey qualification certificate, design qualification certificate and whether the bidder's qualification meets the requirements of the bid invitation documents;
- (iii) the tenderee shall not open the bids until at least three applications have been received from the bidders;

- (iv) the bidding applications shall be examined by the bid evaluation commission, which shall be comprised of expert members selected, on a random basis, from the list of professional experts who have been enrolled in the Shandong Integrated Bid Expert Database for Public Resources Trading (山東省公共資源交易綜合評標專家庫) as administrated by Shandong Public Resources Trading Center (山東省公共資源交易中心) in accordance with the Administrative Measures for Shandong Integrated Bid Examination and Evaluation Expert Database and Experts for Public Resources Trading (《山東省公共資源交易綜合評標評審專家庫和專家管理辦法》), with reference to the standards and methods as provided by the bid-invitation documents. The standards and shortlisting methods for candidates are based on:
 - (a) the technical proposals submitted by the bidders regarding the project's technical requirements;
 - (b) the experience of the bidders' key personnel;
 - (c) the business performance of the bidders;
 - (d) the contract performance reputation of the bidders; and
 - (e) the bidding quotation.

The bid evaluation committee shall submit a written report and list of candidates for the winning bid to the tenderee. There shall be no more than three candidates for the winning bid and order shall be indicated in the report;

- (v) an announcement of candidates for the winning bid shall be made by the tenderee within 3 days from receiving the evaluation report;
- (vi) with respect to the projects in which state-owned capital occupies the controlling or dominant position and that are subject to bid invitation, the tenderee shall make the candidate ranking first as the bid winner. If the candidate ranking first as the bid winner surrenders the bid winning, or such a candidate fails to meet the conditions for winning the bid as a result of failing to perform the contract due to force majeure, or failing to submit a performance bond according to the requirements of the bidding documents, or being found to have committed any illegal act that affects the bid winning result, the tenderee may determine another candidate as the bid winner according to the sequence of candidates in the list of bid winning candidates provided by the bid evaluation committee, or the tenderee may launch a new bid invitation;
- (vii) the tenderee shall enter into a written contract with the bid winner in accordance with relevant laws and regulations; and
- (viii) the bid winner shall fulfill its obligations as provided in the contract and complete the bid winning project.

The Board confirms that none of the General Highway Business Operation Services (including highway design services; highway inspection and maintenance services; highway research and analysis services; and highway construction supporting services) is subject to government-prescribed price. Construction project cost consulting service (建設工程造價諮詢服務) (a sub-category of services classified under highway construction supporting services) should take reference from government-guided prices. Other General Highway Business Operation Services shall apply market price.

For services subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process. The transactions contemplated under the Construction Section No.8 Contract are projects subject to tender process under the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) promulgated by the NDRC. Therefore, the Company must determine the counterparty through bidding. To evaluate the tender documents submitted by bidders, the bidding applications shall be examined by the bid evaluation commission, which shall be comprised of expert members selected by the Company, on a random basis, from the list of professional experts who have been enrolled in the Shandong Integrated Bid Expert Database for Public Resources Trading (山東省公共資源交易綜合評標專家庫) as administrated by Shandong Public Resources Trading Center (山東省公共資源交易中心) in accordance with the Administrative Measures for Shandong Integrated Bid Examination and Evaluation Expert Database and Experts for Public Resources Trading (《山東省公共資源交易綜合評標評審專家庫和專家管理辦法》), with reference to the standards and methods as provided by the bid-invitation documents. The standards and shortlisting methods for candidates are based on: (a) the technical proposals submitted by the bidders regarding the project's technical requirements; (b) the experience of the bidders' key personnel; (c) the business performance of the bidders; (d) the contract performance reputation of the bidders; and (e) the bidding quotation. The Construction Section No.8 Contract was entered into through the Company's standardised tender and bidding process. Sichuan Road & Bridge Group ranked first among the bidders for the Construction Section No.8 Contract, and therefore was selected as the successful bidder. The consideration for the Construction Section No.8 Contract was determined on the basis of the bidding quotation of the successful bidder, namely Sichuan Road & Bridge Group.

The payments for the project sum of the Construction Section No.8 Contract are based on the construction progress and the assessment result according to the technical specifications and the measurement rules for bills of quantities of the project.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION SECTION NO.8 CONTRACT

As disclosed in the section headed "Basis of Determination of the Consideration" in this announcement, the Construction Section No.8 Contract was entered into through the Company's standardised tender and bidding process. Sichuan Road & Bridge Group ranked first among the bidders for the Construction Section No.8 Contract on the basis of the evaluation criteria set out in the tender document, which included the overall evaluation of the technical proposal, experience of the bidder's key personnel, business performance of the bidder, contract performance reputation and bidding quotation provided by the bidder, and therefore Sichuan Road & Bridge Group was selected as the successful bidder.

The Board (including the independent non-executive Directors) is of the view that the transactions contemplated under the Construction Section No.8 Contract are entered into in the usual and ordinary course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is a joint stock company incorporated and validly subsisted under the PRC laws with limited liability, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange. The Group is principally engaged in (i) the construction, maintenance, operation and management of expressways, including the Jihe Expressway, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway; (ii) highway engineering construction, expressway maintenance and municipal greening and other constructions; and (iii) sales of industrial products and other businesses, in Shandong Province, the PRC.

Sichuan Road & Bridge Group

Sichuan Road & Bridge Group is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of Sichuan Road & Bridge. Sichuan Road & Bridge is a joint stock company incorporated in the PRC with limited liability and is mainly engaged in the construction project of highway, railway, building construction, municipal administration, mining and new energy infrastructure, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600039.SH).

Sichuan Road & Bridge Group is principally engaged in highway engineering, bridge engineering, railway engineering, port and airway engineering, hydraulic and hydropower engineering, electric power engineering, municipal and utility engineering, tunnel engineering and other businesses.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Sichuan Road & Bridge Group and its ultimate beneficial owners are all third parties independent of the Company and its connected persons.

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THE EGM AND DESPATCH OF CIRCULAR

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DEFINITIONS

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

“14th Five-Year Plan”	the relevant period of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), that is, 2021-2025
“Board”	the board of Directors
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Section No.8 Contract”	the contract dated 27 July 2022 entered into between the Company and Sichuan Road & Bridge Group in relation to the construction works for the eighth bidding section of the reconstruction and expansion project of the Jihe Expressway
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the extraordinary meeting to be held by the Company to consider and, if thought fit, approve the Construction Section No.8 Contract and the transactions contemplated thereunder
“General Highway Business Operation Services”	various services in relation to highway business operation, including highway design services, highway inspection and maintenance services, highway research and analysis services and highway construction supporting services
“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 Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Jihu Expressway	Jinan to Heze Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
“km”	kilometre(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	the National Development and Reform Commission of the PRC (中國國家發展和改革委員會), which is a comprehensive functional department of the State in charge of the management of national economy and social development
“PRC” or “State”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Sichuan Road & Bridge”	Sichuan Road & Bridge Co., Ltd (四川路橋建設集團股份有限公司), a joint stock company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600039.SH)
“Sichuan Road & Bridge Group”	Sichuan Road & Bridge (Group) Co., Ltd (四川公路橋樑建設集團有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Sichuan Road & Bridge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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

Shandong, the PRC
27 July 2022

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. Chen Dalong, Mr. Wang Shaochen, Mr. Zhou Cenyu, Mr. Su Xiaodong, Ms. Kong Xia, Mr. Du Zhongming and Mr. Shi Jinglei; and the independent non-executive Directors are Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.