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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)

CONTINUING CONNECTED TRANSACTIONS
SERVICES PROVISION FRAMEWORK AGREEMENT, GENERAL
PROCUREMENT FRAMEWORK AGREEMENT AND GENERAL SALES
FRAMEWORK AGREEMENT

SERVICES PROVISION FRAMEWORK AGREEMENT, GENERAL PROCUREMENT
FRAMEWORK AGREEMENT AND GENERAL SALES FRAMEWORK AGREEMENT

The Board is pleased to announce that the Company entered into the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, among other things, the Company agreed to provide specific services, procure certain types of goods from and sell certain types of goods to Shandong Hi-Speed Group in accordance with the terms and conditions of the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement, respectively.

DIRECTORS' INTERESTS IN THE ABOVE TRANSACTIONS

As (i) Mr. Zhou Cenyu, a non-executive Director, is the secretary of the party general branch and the chairman of the board of directors, who is also the legal representative, of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司), a wholly-owned subsidiary of Shandong Hi-Speed Group, and the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), an indirect subsidiary of Shandong Hi-Speed Group; and (ii) Ms. Kong Xia, also a non-executive Director, is the deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group, and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company, both Mr. Zhou and Ms. Kong are deemed to have a material interest in the transactions contemplated under each of the Framework Agreements and therefore have abstained from voting on the relevant Board resolutions. Save for the above, none of the Directors has or is deemed to have a material interest in the above transactions and is required to abstain from voting on the relevant Board resolutions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Hi-Speed Group indirectly holds approximately 38.93% of the issued Shares of the Company through its subsidiary Shandong Hi-Speed. Meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

In respect of the Services Provision Framework Agreement, as all of the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect to the highest proposed annual cap under the agreement exceed 0.1% but are less than 5%, the Services Provision Framework Agreement and the transactions contemplated thereunder (including its proposed annual caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the General Procurement Framework Agreement and the General Sales Framework Agreement, as all of the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect to their respective highest proposed annual cap under the agreements exceed 5%, both of the General Procurement Framework Agreement and the General Sales Framework Agreement as well as the transactions contemplated thereunder (including their respective proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM AND DESPATCH OF CIRCULAR

The Company will convene the EGM, at which resolutions will be proposed for, among other things, the Independent Shareholders to consider, and if thought fit, approve the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps). As Shandong Hi-Speed Group has material interests in the above transactions, Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) shall abstain from voting on the relevant resolutions to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed), no Shareholder is required to abstain from voting on the above resolutions.

As the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) are subject to the Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping, has been established to advise the Independent Shareholders in respect of the above transactions. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transactions.

A circular containing, among other things, (i) details of the General Procurement Framework Agreement and the General Sales Framework Agreement as well as the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, will 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 to prepare certain information for inclusion in the circular.

INTRODUCTION

The Board is pleased to announce that the Company entered into the Services Provision Framework Agreement, General Procurement Framework Agreement, and General Sales Framework Agreement with Shandong Hi-Speed Group on 27 July 2022, pursuant to which, among other things, the Company agreed to provide specific services, procure certain types of goods from and sell certain types of goods to Shandong Hi-Speed Group in accordance with the terms and conditions of the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement, respectively.

SERVICES PROVISION FRAMEWORK AGREEMENT, GENERAL PROCUREMENT FRAMEWORK AGREEMENT AND GENERAL SALES FRAMEWORK AGREEMENT

The major terms of the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement are set out as follows:

	Services Provision Framework Agreement	General Procurement Framework Agreement	General Sales Framework Agreement
Date	: 27 July 2022		
Parties	: (i) The Company; and (ii) Shandong Hi-Speed Group		
Term	: From the date of the agreements to 31 December 2023		
Subject matter	: The services provided by the Group to Shandong Hi-Speed Group and its Subordinated Companies primarily include labor subcontracting, consulting services, lease services, warehousing and logistics services, installation services, trade services, agent construction services, import and export of goods, project management service and landscaping services, as well as all other services prescribed under the Group's registered business scopes and as permitted by applicable laws.	: The goods procured by the Group from Shandong Hi-Speed Group and its Subordinated Companies primarily include steel reinforcement bars, strand, cement, geomaterials, asphalt, concrete and other building materials, construction equipment and their accessories, as well as all other items prescribed under the registered business scopes of Shandong Hi-Speed Group and its Subordinated Companies and as permitted by applicable laws.	: The goods sold by the Group to Shandong Hi-Speed Group and its Subordinated Companies primarily include asphalt, asphalt mixture, cement, concrete and other building materials, construction equipment and their accessories, and plantation protection materials, as well as all other items prescribed under the Group's registered business scopes and as permitted by applicable laws.
Principles of transactions	: In respect of the services provided by the Group, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the services provided by the Group so long as those provided by third parties are on the same service conditions as or less favorable than the Group's, except when the transaction counterparty of such service items available for bidding must be determined through bidding in accordance with the relevant laws and regulations. The Group will ensure the services provided are of high quality and the prices of which are fair and reasonable, whereas the service conditions for Shandong Hi-Speed Group and its Subordinated Companies shall be no less favorable than those for third parties.	: In respect of the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies, the Group shall give priority to the goods supplied by Shandong Hi-Speed Group and its Subordinated Companies so long as those supplied by third parties are on the same price and quality as theirs, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations. Shandong Hi-Speed Group will ensure the goods supplied by it and its Subordinated Companies are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to the Group shall not be higher than those sold to third parties.	: In respect of the goods supplied by the Group, Shandong Hi-Speed Group and its Subordinated Companies shall give priority to the goods supplied by the Group so long as those supplied by third parties are on the same price and quality as the Group's, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations. The Group will ensure the goods supplied are of high quality and the prices of which are fair and reasonable, whereas the prices of the goods sold to Shandong Hi-Speed Group and its Subordinated Companies shall not be higher than those sold to third parties.

Demand estimation : Save for public tender, Shandong Hi-Speed Group shall submit the plan of the service demand for the next accounting year or the adjustment plan for the service items of the current accounting year to the Group prior to 31 October of each year, and the mutual agreement shall be reached between the parties prior to 30 November. Whereas the Shandong Hi-Speed Group's plan of service demand for the next accounting year is substantially the same as that of the current accounting year, the Group shall satisfy the plan accordingly.

Save for public tender, the Company shall submit the plan of the procurement demand for the next accounting year or the adjustment plan for the procurement demand of the current accounting year to Shandong Hi-Speed Group prior to 31 October of each year, and the mutual agreement in respect to the plan shall be reached between the parties prior to 30 November. Whereas the Company's plan of procurement demand for the next accounting year is substantially the same as that of the current accounting year, the Shandong Hi-Speed Group shall satisfy the plan accordingly.

Save for public tender, Shandong Hi-Speed Group shall submit the plan of the procurement demand for the next accounting year or the adjustment plan for the procurement demand of the current accounting year to the Company prior to 31 October of each year, and the mutual agreement in respect to the plan shall be reached between the parties prior to 30 November. Whereas Shandong Hi-Speed Group's plan of procurement demand for the next accounting year is substantially the same as that of the current accounting year, the Group shall satisfy the plan accordingly.

Payment method : Upon the Framework Agreements becoming effective, the Group will enter into separate and individual contracts with Shandong Hi-Speed Group or its Subordinated Companies. The specific terms on the scopes of service/procurement/sale, amounts, settlement methods and the relevant rights and obligations shall be set out in the contractual provisions of the individual signed contracts or tender documents.

Pricing policy : The pricing of each of the services or goods procured or sold under the Framework Agreements shall be determined on the basis of the following general principles and sequences:

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

For prices that shall be determined through mutual negotiation, both parties shall take into consideration the following key factors while determining market price :

- (a) the prevailing market price charged by any third party providing a similar service/selling a similar product in the region where the service/selling is provided by one of the parties, the quotation from other service/product suppliers providing the same service/product and minimum of two comparable transactions carried out with independent third parties during the same period; and

- (b) the minimum quotation for the same or similar service provided/product sale by the parties and their relevant Subordinate Entities to any third party.

For prices that shall be determined through tender process under the applicable laws and regulations or the internal codes of purchaser:

Both parties shall select the service/product suppliers and determine the final price through the way of public tender process in accordance with the requirements under applicable laws and regulations of the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), 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》), as well as the provisions of relevant internal codes. Such process shall be carried out under the related laws and internal codes, and shall consider the following factors, including but not limited to:

- (a) the terms of the tender provided by the bidder, including the bid price, the terms set by the bidder for the tender;
- (b) the background, qualifications, technical and financial conditions; and
- (c) the historical business record for the provision of similar services/same products by the bidder.

For the services and goods being the subject matter under the relevant Framework Agreements, there is no relevant government-prescribed price or government-guided price provided by applicable laws and regulations currently, thus the market price is applicable to all of them, and the prices of such are determined by negotiations between parties or through tender process.

- Effective conditions** :
- (i) the agreements having been duly executed by the legal representative or authorised representative of the parties (applicable to all Framework Agreements); and
 - (ii) the Company having obtained the approval of the resolutions in respect of the agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM (only applicable to the General Procurement Framework Agreement and the General Sales Framework Agreement)

ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

The table below sets out the proposed annual caps under the Framework Agreements during the term of the agreements.

	Services Provision Framework Agreement <i>RMB'000</i>	General Procurement Framework Agreement <i>RMB'000</i>	General Sales Framework Agreement <i>RMB'000</i>
Annual caps			
From the date of this announcement to 31 December 2022	10,000	150,000	300,000
For the year ending 31 December 2023	40,000	1,100,000	1,000,000

The Group did not record any historical transaction amount with Shandong Hi-Speed Group and its Subordinated Companies for each of three years ended 31 December 2021 and up to the date of this announcement in respect of the transactions contemplated under each of the Framework Agreements.

Basis for determining the annual caps

The annual caps under the Framework Agreements were determined after arm's length negotiations between the Company and Shandong Hi-Speed Group taking into account of the following factors:

- (i) (in respect of the General Sales Framework Agreement) the current scale of operation and planned expansion of the Group's sales of industrial product business segment, including the plan for enhancing the processing capacity of the Group's facilities and equipment and the sales capability and improving the sales team staffing of the Group, during the two-year period ending 31 December 2023;
- (ii) (in respect of the Services Provision Framework Agreement) the current scale of operation and planned expansion of the Group's construction business segment, including the plan for enhancing the peripheral service offerings of expressway constructions and operations and increasing in the Group's manpower and resource input to coup with the diversified services provision and elevated service quality, during the two-year period ending 31 December 2023;
- (iii) (in respect of the Services Provision Framework Agreement and the General Sales Framework Agreement) the estimated demand for the Group's services and goods offerings under these framework agreements by Shandong Hi-Speed Group and its Subordinated Companies, particularly taking into consideration that:

- (a) the plans for a number of expressway and highway-related infrastructure development and upgrade projects (including the Jihe Expressway reconstructing and expansion project) have been in place pursuant to the Plan, particularly that in accordance with the above government plan. It is the government's direction that there should be in place substantive upgrade of the transportation infrastructure in order to achieve steady increase in the province's comprehensive transportation service capacity, to form the basic skeleton of the interconnected infrastructure with expressway connecting to counties within the province (高速公路「縣縣通」), and to establish the provincial "one axis, two corridors, ten channels" (全省「一軸兩廊十通道」) road infrastructure model;
- (b) Shandong Hi-Speed Group, being a prominent state-owned entity for the investment, construction and operation of the road infrastructures in Shandong Province and provision of the peripheral service, construction material, equipment and engineering support, is expected to become one of the entities to lead the initiatives of the traffic and transportation upgrade projects under the Plan;
- (c) based on Shandong Hi-Speed Group's positioning and leading qualities in the industry, it and its Subordinated Companies are expected to be, and/or become successful in the tender to be the construction units of various expressway-related infrastructure construction and transformation projects contemplated under the Plan; and
- (d) with reference to the schedule of the expressway-related infrastructure project mentioned above, it is expected that the substantive portion of the construction works will commence in early 2023, which would lead to a surge in the demand for the services and goods offerings being the subject matter of the Services Provision Framework Agreement and the General Sales Framework Agreement, hence a corresponding significant increase in the proposed annual caps under each of the above agreements for the year ending 31 December 2023;
- (iv) (in respect of the General Procurement Framework Agreement) the expected increase in the demand and hence, the procurement of the cement, concrete and other geomaterials and construction materials to support the reconstruction and expansion of the Jihe Expressway (if and when needed) and the peripheral facilities and traffic safety facilities upgrade of the expressways under the Group's management, as well as for the purpose of procuring sufficient raw material supplies for the Group's processing to satisfy the corresponding sales demand under its expanding industrial product sales business segment;
- (v) the historical market price trend of the major geomaterials and construction materials and expected increase of those prices during the term of the Framework Agreements, taking into consideration the normal gross margin of various services and goods under the Framework Agreements to be charged by independent third party industry participants based on the Group's market research, data from public channels as well as discussions and interviews with the market participants, as well as the average gross margin charged by the Group in respect of the sales of similar industrial goods and provision of comparable services to independent third parties of the industry;
- (vi) the expected direct costs and project costs to be incurred by the Group for the provision of the services and sales of goods under the Framework Agreements, taking into consideration, for instance, the expected increase in the raw material prices, the costs for sourcing and installation of the equipment, and the possible need for dedication of additional manpower and resources to facilitate the expansion of such businesses; and

- (vii) certain buffer has been reserved in respect of the expected procurement and sales of goods and service provision under the Framework Agreements in circumstances where either party may become more successful in the subsequent tenders of the subject matters under the Framework Agreements and encounter more business opportunities as a result of promulgation of government policies and guidance on road transport-related facilities development from time to time.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

Shandong Hi-Speed Group is one of the leading expressway operators and road transport-related infrastructure goods and services providers in Shandong Province, whereas the Group is the operator of three expressways in Shandong Province and has over the years developed its expertise in providing construction and peripheral expressway construction and operation services, as well as in the procurement and sales of industrial products including geomaterials and construction materials for use of expressway construction and facilities upgrade.

The Directors consider that it is beneficial to the Group to enter into the Framework Agreements taking into account of the following factors:

- (i) Shandong Hi-Speed Group and its Subordinated Companies have respectable experience and reputation in their respective areas of businesses and solid financial standing and have demonstrated themselves as contractual counterparties in terms of the quality highway operation-related services for the Group over the past years. The long-term cooperating relationship between the Group and Shandong Hi-Speed Group and its Subordinated Companies can reduce the accommodation costs for the Group;
- (ii) the Group has, over the years of operation, developed its expertise in the provision of peripheral expressway construction and operation services and processing of industrial and construction materials. With reference to the scale of operation as well as the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of Shandong expressway construction, operation and management as mentioned above, the entering into of the Framework Agreements would enable the Group to have access to a scaleable target customer group for a stable demand for its services and goods, being the subject matters under the Services Provision Framework Agreement and the General Sales Framework Agreement, in respect of the projects undertaken by Shandong Hi-Speed Group and its Subordinated Companies, particularly in light of the increase in the number of road transport-related projects in Shandong Province pursuant to the Plan;
- (iii) meanwhile, the Board expects that there will be a significant increase in the demand for construction materials to support the reconstruction and expansion project of the Jihe Expressway, as well as those for the upgrade of the facilities of the other expressways operated and maintained by the Group, both driven under the policy background for a comprehensive upgrade of the road network and mobility experience of the public as set out in the Plan;

- (iv) whereas the products supplied by the Group under the General Sales Framework Agreement comprises of, among other things, those which have been processed by the Group, the mutual supply of various categories of goods under the General Procurement Framework Agreement and the General Sales Framework Agreement is beneficial to both the Group and the Shandong Hi-Speed Group and its Subordinated Companies, particularly in light of the fact that both parties envisage that there will be a relatively significant demand for a diverse range of construction materials to support the construction and upgrade projects of various road-infrastructure projects under the Plan. It is the industry practice that the project owners or the construction units will not keep a substantial volume of the construction materials on-site due to the limited size of the project site in order to minimise the impact to the environment, the disruption to the current construction works on-site as well as to reduce the storage costs involved. Further, certain construction materials (such as cement and concrete) have their respective limited period of use in accordance with the applicable technical standards due to their physical properties. As such, the construction materials are generally ordered on an as-needed basis depending on the project progress. The procurement and sales of goods pursuant to the above Framework Agreements enable stable supply and access of different kinds of construction materials to support the Group's project site operations as well as the materials needed for processing and onwards sales under the Group's sales of industrial goods business segment. In light of the ongoing business relationship between Shandong Hi-Speed Group and its Subordinated Companies and the Group, the parties have been able to adequately understand and satisfy each other's business and operating requirements. In particular, given the leading role of Shandong Hi-Speed Group and its Subordinated Companies in terms of the reputation and the scale of operations in Shandong Province, their operation facilities and projects sites are widely spread over a number of locations within the province, thus the Group will be able to have easier access to its potential customers as well as the raw materials required. The Board considers that the shortened supplier-customer distance as a result can further increase the Group's ability to procure the materials in a convenient and timely matter and at lower delivery costs on one hand, and to better satisfy the timely needs of its customers on the other, thereby achieving an overall enhancement in the Group's expressway construction and sales capacity; and
- (v) the services provided by Shandong Hi-Speed Group and its Subordinated Companies, as well as the goods supplied to and procured by the parties to the Framework Agreements have been on no less favourable terms as compared with those offered or supplied to and procured from independent third parties (as the case may be), taking into account the quality, price, understanding of business needs and operational requirements of the Group, familiarity with the projects undertaken by the parties and value-added contributions that could be offered, and those services and goods are in compliance with the applicable industry requirements on expressway construction and operation in general.

Therefore, whereas the Group and Shandong Hi-Speed Group have gained a mutual understanding on each other's business and operational needs based on the current and on-going business relationships in respect of the highway operation-related service, taking into account of the capabilities of both parties and the safeguards and requirements as to the quality and price of the services/goods under the Framework Agreements, the Board considers that the arrangements under the Framework Agreements are mutually beneficial to both parties, and particularly in respect of the Group, they would better facilitate the Group's development towards an integrated industry chain operational model (一體化產業鏈運營模式) through enhancement of its service/product offerings and its business scale whilst ensuring a stable and quality supply of the materials required. This effectively controls the associated transactional risks and communication costs in the Group's ordinary and usual course of business.

Taking into account of the above, the Directors (excluding Mr. Zhou Cenyu and Ms. Kong Xia who were required to abstain from voting on the relevant Board resolutions in relation to the Framework Agreements and the independent non-executive Directors in respect of the General Procurement Framework Agreement and the General Sales Framework Agreement, the views of whom will be contained in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) are of the view that the Framework Agreements and the transactions contemplated thereunder (including their respective proposed annual caps) 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 its Shareholders as a whole.

INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

The Group has established a comprehensive internal control system to ensure that the continuing connected transactions under the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include the following:

- (i) the Company has completed the approval of the Framework Agreements, in accordance with the connected transaction management measures and internal control system; and
- (ii) the Group has designated a team comprising the management of the Company, the office of the Board, the financial management department, the human resources department, the corporate management department and the audit and legal department to monitor the continuing connected transactions on an ongoing basis and report to the Board on a regular basis;
- (iii) the Company will regularly monitor the service fees for the continuing connected transactions to ensure that they are fair and reasonable and in accordance with the relevant pricing basis;
- (iv) the management team of the Group will, together with the financial management department, regularly review the usage of services and the actual amount of service fees incurred to ensure that the relevant annual caps will not be exceeded;
- (v) the management team of the Group organises and conducts internal control tests on a regular basis to assess the integrity and effectiveness of the internal control measures in relation to the continuing connected transactions;
- (vi) the Board reviews the implementation of the Framework Agreements on an annual basis and the financial statements on a semi-annual basis. The review covers, inter alia, whether the Group and the connected persons have fulfilled the terms of the said agreements during the relevant year, and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps;

- (vii) the independent non-executive Directors review the continuing connected transactions on an annual basis and make annual confirmation in the annual report of the Company as to whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better terms and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) are in the interests of the Company and the Shareholders as a whole; and
- (viii) to assist the Company in complying with the applicable rules set out in Chapter 14A of the Listing Rules, the auditor of the Company has performed work on the continuing connected transactions of the Company in accordance with the requirements of “Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to “Practice Note 740 – Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and issued a letter on the continuing connected transactions disclosed in the annual report of the Company in accordance with the applicable accounting standards and the Listing Rules.

GENERAL INFORMATION

The Company

The Company is a joint stock company incorporated and validly existing under the laws of the PRC and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange. The Company is principally engaged in (i) the construction, maintenance, operation, management of expressways (including the Jihe Expressway, the Deshang Expressway (Liao Cheng – Fan County section) and the Shennan Expressways; (ii) engineering projects, including highway engineering construction, expressway maintenance and municipal greening and other constructions; and (iii) sales of industrial products and other business, in Shandong Province, the PRC.

Shandong Hi-Speed Group

Shandong Hi-Speed Group is a limited liability company incorporated and validly existing under the laws of the PRC. 90% of the equity interest in Shandong Hi-Speed Group is held by the Shandong Provincial State-owned Assets Supervision and Administration Commission, directly and indirectly, while the remaining 10% of the equity interest in Shandong Hi-Speed Group is held by the Shandong Provincial Council for Social Security Fund. Shandong Hi-Speed Group is a state-owned capital investment company in infrastructure sector in Shandong Province. It is principally engaged in expressway operation and management, carrying out the construction of major transportation projects designated by the Shandong Provincial Government, and revitalising, integrating, operating and managing other authorised non-expressway transportation assets. It is an investment and financing platform for the transportation industry development of the Shandong Provincial Government and the investment and financing entity of major transportation projects in Shandong Province.

DIRECTORS' INTERESTS IN THE ABOVE TRANSACTIONS

As (i) Mr. Zhou Cenyu, a non-executive Director, is the secretary of the party general branch and the chairman of the board of directors, who is also the legal representative, of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司), a wholly-owned subsidiary of Shandong Hi-Speed Group, and the secretary of the party branch and chairman of the board of directors of Shandong Expressway Minsheng Group Co., Ltd. (山東高速民生集團有限公司), an indirect subsidiary of Shandong Hi-Speed Group; and (ii) Ms. Kong Xia, also a non-executive Director, is the deputy head of the organisation department of the party committee (that is, the party committee of the head office) of Shandong Hi-Speed Group, and meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company, both Mr. Zhou and Ms. Kong are deemed to have a material interest in the transactions contemplated under each of the Framework Agreements and therefore have abstained from voting on the relevant Board resolutions. Save for the above, none of the Directors has or is deemed to have a material interest in the above transactions and is required to abstain from voting on the relevant Board resolutions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Hi-Speed Group indirectly holds approximately 38.93% of the issued Shares of the Company through its subsidiary Shandong Hi-Speed. Meanwhile, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

In respect of the Services Provision Framework Agreement, as all of the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect to the highest proposed annual cap under the agreement exceed 0.1% but are less than 5%, the Services Provision Framework Agreement and the transactions contemplated thereunder (including its proposed annual caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the General Procurement Framework Agreement and the General Sales Framework Agreement, as all of the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect to their respective highest proposed annual cap under the agreements exceed 5%, both of the General Procurement Framework Agreement and the General Sales Framework Agreement as well as the transactions contemplated thereunder (including their respective proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM AND DESPATCH OF CIRCULAR

The Company will convene the EGM, at which resolutions will be proposed for, among other things, for the Independent Shareholders to consider, and if thought fit, approve the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps). As Shandong Hi-Speed Group has material interests in the above transactions, Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed) shall abstain from voting on the relevant resolutions to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed), no Shareholder is required to abstain from voting on the above resolutions.

As the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder (including their respective proposed annual caps) are subject to the Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping, has been established to advise the Independent Shareholders in respect of the above transactions. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transactions.

A circular containing, among other things, (i) details of the General Procurement Framework Agreement and the General Sales Framework Agreement as well as the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, will 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 to prepare certain information for inclusion in the circular.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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 meanings as ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meanings as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	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 general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Framework Agreements”	collectively, the Services Provision Framework Agreement, the General Procurement Framework Agreement and the General Sales Framework Agreement

“General Procurement Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the procurement by the Group for certain types of goods from Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“General Sales Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022, in relation to, among other things, the sales of certain types of goods by the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“Group”	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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the transactions contemplated thereunder the General Procurement Framework Agreement and the General Sales Framework Agreement and the proposed annual caps thereof
“Independent Shareholders”	the Shareholders who are required to abstain from voting at the EGM to be convened for the purpose of, among other things, approving the General Procurement Framework Agreement and the General Sales Framework Agreement and the transactions contemplated thereunder, being Shandong Hi-Speed Group and its associates (including Shandong Hi-Speed)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plan”	the Shandong Province “14th Five-Year” Comprehensive Traffic Transportation Development Plan (《山東省「十四五」綜合交通運輸發展規劃》) promulgated by the People’s Government of Shandong Province
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Services Provision Framework Agreement”	the agreement entered into between the Company and Shandong Hi-Speed Group dated 27 July 2022 in relation to, among other things, the provision of specific services from the Group to Shandong Hi-Speed Group and its Subordinated Companies from the date of the agreement up to 31 December 2023
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding as to approximately 38.93% of the total issued Shares of the Company as at the date of this announcement, and is an existing controlling Shareholder
“Shandong Hi-Speed Group”	Shandong Hi-Speed Group Company Limited (山東高速集團有限公司), a limited liability company incorporated in the PRC, which indirectly holds as to approximately 38.93% of the total issued Shares of the Company through its subsidiary Shandong Hi-Speed as at the date of this announcement, and is an existing controlling Shareholder
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Companies”	the subsidiaries and branches of Shandong Hi-Speed Group
“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.