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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)

VOLUNTARY ANNOUNCEMENT PROPOSED CAPITAL INJECTION INTO A PARTNERSHIP

PROPOSED CAPITAL INJECTION INTO A PARTNERSHIP

The Board is pleased to announce that the Group proposes for Qilu Expressway Investment to enter into a partnership agreement with Beiyin Investment (as the general partner) and Urbanisation Fund, Jihua Investment Fund and Shandong Hi-Speed Investment (each as a limited partner), pursuant to which Qilu Expressway Investment is expected to make a capital contribution in the sum of RMB173,754,845.86 to Fangxu Investment for admission as its limited partner.

Set out below are the major terms of the Proposed Capital Injection based on the advanced draft of the partnership agreement:

- Parties** : (i) Beiyin Investment (as the general partner);
(ii) Urbanisation Fund (as a limited partner);
(iii) Jihua Investment Fund (as a limited partner);
(iv) Shandong Hi-Speed Investment (as a limited partner);
and
(v) Qilu Expressway Investment (as a limited partner pursuant to the Proposed Capital Injection)
- Term of partnership** : Long-term
- Purpose** : To protect the legitimate rights of all partners and enable Fangxu Investment to attain the best economic outcome

**Method and amount of capital :
contribution of the partners**

It is contemplated that Qilu Expressway Investment will make its capital contribution to Fangxu Investment in monetary funds. Set out below is the expected capital structure of Fangxu Investment upon completion of the Proposed Capital Injection (if consummated):

Partner	Type	Committed capital contribution RMB'000	Percentage (%)
Beiyin Investment	General partner	10	0.0002
Urbanisation Fund	Limited partner	3,700,000	85.5538
Jihua Investment Fund	Limited partner	450,000	10.4052
Shandong Hi-Speed Investment	Limited partner	1,000	0.0231
Qilu Expressway Investment	Limited partner	173,755	4.0177
Total		4,324,765	100

The Proposed Capital Injection (if consummated) is expected to be funded by the internal resources of the Group. In accordance with the applicable accounting standards, upon the completion of the Proposed Capital Injection, the financial results of Fangxu Investment will not be consolidated in the accounts of the Company.

**Management of the
partnership**

: Beiyin Investment (as the general partner) shall also be the executive partner representing Fangxu Investment for external affairs. It will be responsible for executing the partnership affairs set out under the agreement and in accordance with the decision of all partners, including (i) dealing with the operation and management affairs of Fangxu Investment; (ii) deciding on the operational planning and investment schemes; (iii) formulating the annual financial budgeting and settlement plans; and (iv) establishing the basic management policies and structure of the partnership.

In addition, the executive partner shall report the implementation of the partnership affairs as well as the operations and financial conditions of Fangxu Investment to other partners. Other partners will be entitled to inspect the accounts for the purpose of understanding the operations and financial conditions of Fangxu Investment, and will be entitled to monitor the executive partner's execution of the partnership affairs.

Profit distribution and loss sharing : Profits and losses of Fangxu Investment will be distributed and shared among partners in their proportion of capital contribution. Nevertheless, the general partner shall bear unlimited liability in respect of the debts of Fangxu Investment.

Liquidation and dissolution : Fangxu Investment will be dissolved when any one of the following circumstances occurs:

- (i) all the partners resolve to dissolve the partnership;
- (ii) the number of partners does not satisfy the quorum for at least 30 days;
- (iii) the purpose of the partnership has been realised or cannot be realised;
- (iv) the partnership has been disqualified or forced to be closed down, or the business license of such has been revoked in accordance with the applicable laws; and
- (v) other reasons prescribed under applicable laws and administrative regulations.

The dissolved Fangxu Investment will be liquidated in accordance with the Partnership Enterprise Law of the PRC. Fangxu Investment shall continue to survive during the liquidation process but shall not conduct any operational activities irrelevant to the liquidation.

REASONS FOR AND BENEFITS OF THE PROPOSED CAPITAL INJECTION

The Group expects that its participation in Fangxu Investment through Qilu Expressway Investment as a limited partner may increase the Group's revenue by virtue of the expertise of the investment platform, enhance the Group's comprehensive competitiveness leveraging on the resources advantages of each of Fangxu Investment and its partners in their respective fields, and attain its potential capital appreciation and improve financial returns, thereby create value for all its Shareholders.

The current business scope of Fangxu Investment covers investment in equity interests, real estate, construction, transportation, warehousing, postal industry, culture and sports, entertainment, public management, medical care and forestry with its self-owned funds, as well as the provision of corporate management and consultation services (however, no financial businesses, such as deposit taking, financing guarantee and entrusted wealth management, shall be conducted prior to the approval of financial regulators). In particular, Fangxu Investment generates revenue and interest income through identifying and investing in projects with sustainable and stable cash flow in actual course of business operation, and its funds are mainly used for investment in infrastructure construction and public service facilities construction, equity or debt investment in projects with sustainable and stable cash flow in these industries, as well as directly or indirectly invest in highway and transportation infrastructure construction projects and conversion of new and old kinetic energy conversion projects (新舊動能轉換項目) in Shandong Province.

After taking into account, among other things, the expected fund size and investment model of Fangxu Investment, the Board believes that the Proposed Capital Injection, if consummated, will contribute to the creation of synergies with the Group's principal business. In particular, deep-rooted in Shandong Province, the Group has a number of years of experience in expressway operation management, transportation infrastructure construction and supporting services. The proposed investment in other highway and transportation infrastructure construction projects and new and old kinetic energy conversion projects in Shandong Province through Fangxu Investment as a limited partner is expected to be conducive to improving the Group's capital utilisation efficiency, meanwhile reducing the risk of direct investment in infrastructure construction projects, generating stable cash flow at relatively low risk exposures and further enhancing the Group's income.

Given aforesaid reasons and benefits, the Proposed Capital Injection, despite not in the ordinary and usual course of business of the Group, is expected to be consummated on normal commercial terms and thus will be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE AFOREMENTIONED 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 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.

Qilu Expressway Investment

Qilu Expressway Investment is a company incorporated under the PRC laws with limited liability and a wholly-owned subsidiary of the Company. It is mainly engaged in investment activities and corporate management consultation with self-owned funds.

Beiyin Investment

Beiyin Investment is a company incorporated under the PRC laws with limited liability and held as to 40%, 20%, 15%, 15% and 10% by Shandong Hi-Speed Investment, Yantai Pan-Asia Investment, Tianjin Rongqi, Yantai Liude Yongkun Investment and Yantai Chengshu Investment, respectively. Yantai Pan-Asia Investment is held as to 90% and 10% by Wang Tao and Deng Wenyan, respectively. Tianjin Rongqi is wholly-owned by Wei Leilei. Yantai Liude Yongkun Investment is held as to 98% and 2% (based on their committed capital contribution) by Yantai Jundao Investment and Wang Tao, respectively. Yantai Jundao Investment is held as to 44.77%, 19.90%, 15.23%, 10.15% and 9.95% (based on their committed capital contribution) by Wang Tao, Chen Qunbiao, Liu Guanqing, Zou Chenhui and Zhai Jisheng, respectively. Wang Tao is responsible for the management, policies and control of Yantai Liude Yongkun Investment and Yantai Jundao Investment as their executive partners. Yantai Chengshu Investment is held as to 99% and 1% by Shanghai Zhongshu and Chen Qunbiao, respectively. Shanghai Zhongshu is held as to 90%, 6.75% and 3.25% by Ye Xin, Shanghai Laisheng and Chen Qunbiao, respectively. Shanghai Laisheng is the wholly-owned subsidiary of Beijing Lassan, and Beijing Lassan is held as to 0.43%, 7.9%, 8.57%, 32.1% and 51% issued shares capital by Su Ping, Chan Shum Lui, Chan Siu Kwan, Union Glory and Shum Ip, respectively.

Beiyin Investment is mainly engaged in investment management and information consulting services. It focuses on investments in the new energy, new materials and advanced manufacturing sectors and aims to generate investment income and realise capital appreciation. Recent investment projects participated by Beiyin Investment include Lingong Machinery Group, T3 Travel, Wuhan Bus Manufacturing Co., Ltd., Shandong Shangqishan High Tech Power Equity Investment Fund Partnership (Limited Partnership) and CICC Technology Innovation Fund. The team members of Beiyin Investment are experienced in investment project management, among whom Mr. Ma Fengli, its legal representative, and Mr. Wang Tao, its general manager have over 9 years of industry experience in equity investment and asset management, and have participated in investment projects in modern agriculture, new energy, new functional materials, energy conservation and environmental protection, ten key “new and old kinetic energy conversion” industries (新舊動能轉換十大產業) and national strategic emerging industries, including Shandong Blue Economy Industrial Fund Management Co., Ltd., Shandong Ocean Brightstone Industrial Fund Management Co., Ltd., Bright Stone Investment Management (Beijing) Corporation Limited and Asiamed Group Limited.

Urbanisation Fund

Urbanisation Fund is a limited partnership incorporated under the PRC laws and is held as to 99.1736%, 0.4091%, 0.4091% and 0.0083% by Taikang Asset Management, Shandong Hi-Speed Investment, Beijing Yellow River Delta Investment Center (Limited Partnership) and Shandong Hi-Speed Investment Fund (based on their committed capital contribution), respectively. The management, policies and control of Urbanisation Fund are the responsibilities of Shandong Hi-Speed Investment Fund as an executive partner of Urbanisation Fund. Taikang Asset Management is held as to 99.41% and 0.59% by Taikang Insurance and CITIC Trust Co., Ltd., respectively. Taikang Insurance is held as to 23.77% by Guardian Investment as the largest shareholder, and Guardian Investment is held as to 71.02% by Tianjin Jiatai as the largest shareholder. Tianjin Jiatai is held as to 60%, 30% and 10% by Chen Yilun, Lu Ang and Chen Dongsheng, respectively.

Shandong Hi-Speed Investment Fund is held as to 49%, 41% and 10% by Shandong Hi-Speed Investment, Ningxia Yellow River Delta Investment and Yunnan Rongqi Investment, respectively. Ningxia Yellow River Delta Investment and Yunnan Rongqi Investment are wholly-owned by Cui Liyuan and Ji Yifan, respectively.

Urbanisation Fund is mainly engaged in fund management and corporate management consultation and investment business.

Huaji Investment Fund

Huaji Investment Fund is a limited partnership incorporated under the PRC laws and is held as to 99.99% and 0.01% by Huabao Trust and Shandong Hi-Speed Investment Fund (based on their committed capital contribution), respectively. The management, policies and control of Huaji Investment Fund are the responsibilities of Shandong Hi-Speed Investment Fund as an executive partner of Huaji Investment Fund. Huabao Trust is held as to 98% and 2% by Baosteel Group and Zhoushan State-owned Assets Investment, respectively. Baosteel Group and Zhoushan State-owned Assets Investment are wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council and Zhoushan Finance Investment, respectively. Zhoushan Finance Investment is held as to 96.15% and 3.85% by Zhoushan Finance Bureau and Zhejiang Finance Development, respectively. Zhejiang Finance Development is wholly-owned by Zhejiang Provincial Department of Finance.

Huaji Investment Fund is mainly engaged in private equity investment and corporate management consultation, as well as investment in projects in transportation, public management and other sectors with self-owned funds.

Shandong Hi-Speed Investment

Shandong Hi-Speed Investment is a company incorporated under the PRC laws with limited liability and a wholly-owned subsidiary of Shandong Hi-Speed Group. 90% of the equity interest Shandong Hi-Speed Group is held by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government, directly and indirectly, and the remaining 10% of the equity interest in Shandong Hi-Speed Group is held by Shandong Provincial Council for Social Security Fund.

Shandong Hi-Speed Investment is mainly engaged in asset management, project investment and operation management as well as investment consulting.

Save as disclosed below, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the natural persons and entities mentioned above and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

GENERAL

As at the date of this announcement, no formal or definitive commitment or transaction in relation to the Proposed Capital Injection has been entered into or carried out. This announcement is issued on a voluntary basis by the Company to provide its Shareholders and potential investors with updated information in relation to the business development of the Company.

Meanwhile, as at the date of this announcement, Shandong Hi-Speed Group indirectly holds 38.93% of the issued Shares of the Company. Therefore, Shandong Hi-Speed Group is a controlling Shareholder and thus a connected person of the Company under Rule 14A.07 of the Listing Rules. Meanwhile, as it holds the entire equity interest in Shandong Hi-Speed Investment and Shandong Hi-Speed Investment Fund, Shandong Hi-Speed Investment, Beiyin Investment and Shandong Hi-Speed Investment Fund constitute associates of Shandong Hi-Speed Group and therefore become connected persons of the Company. In addition, as Shandong Hi-Speed Investment Fund is responsible for the management, policies and control of each of Urbanisation Fund and Huaji Investment Fund as their executive partners, with reference to the relevant provisions under Chapter 14A of the Listing Rules, Urbanisation Fund and Huaji Investment Fund are also regarded as the connected persons of the Company.

As Beiyin Investment, Urbanisation Fund, Jihua Investment Fund and Shandong Hi-Speed Investment are connected persons of the Company, the Proposed Capital Injection, if consummated, may constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will make timely disclosure as to the progress and development of the Proposed Capital Injection in accordance with the requirements of the relevant laws and regulations (including the Listing Rules) and fulfill the necessary compliance requirements.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baosteel Group”	Baosteel Group Corporation (中國寶武鋼鐵集團有限公司), a company incorporated under the PRC laws with limited liability
“Beijing Lassan”	Beijing Lassan Blood Technology Development Limited, a private company established under the laws of Hong Kong with limited liability (北京萊森血液技術發展有限公司)
“Beiyin Investment”	Shandong Hi-Speed Beiyin (Shanghai) Investment Management Co., Ltd. (山東高速北銀(上海)投資管理有限公司), a company incorporated under PRC laws with limited liability
“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 thereto under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors 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
“Fangxu Investment”	Shandong Hi-Speed (Yantai) Fangxu Investment Centre (Limited Partnership) (山高(煙台)方旭投資中心(有限合夥)), a limited partnership incorporated under the PRC laws
“Group”	the Company and its subsidiaries
“Guardian Investment”	Guardian Investment Holdings Co., Ltd. (嘉德投資控股有限公司), a company incorporated under the PRC laws with limited liability
“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”	the Hong Kong Special Administrative Region of the PRC
“Huabao Trust”	Huabao Trust Co., Ltd. (華寶信託有限責任公司), a company incorporated under the PRC laws with limited liability

“Jihua Investment Fund”	Shandong Hi-Speed (Yantai) Jihua Investment Fund Management Center (Limited Partnership) (山高(煙台)基華投資基金管理中心(有限合夥)), a limited partnership incorporated under the PRC laws
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningxia Yellow River Delta Investment”	Ningxia Yellow River Delta Investment Management Co., Ltd. (寧夏黃三角投資管理有限公司), a company incorporated under the PRC laws with limited liability
“PRC”	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)
“Proposed Capital Injection”	the proposed capital injection by Qilu Expressway Investment in the sum of RMB173,754,845.86 to Fangxu Investment for admission as its limited partner
“Qilu Expressway Investment”	Qilu Expressway (Shandong) Investment Management Co., Ltd. (齊魯高速(山東)投資管理有限公司), a company incorporated under the PRC laws with limited liability, and a wholly-owned subsidiary of the Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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 hold 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
“Shandong Hi-Speed Investment”	Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司), a company incorporated under the PRC laws with limited liability and a wholly-owned subsidiary of Shandong Hi-Speed Group
“Shandong Hi-Speed Investment Fund”	Shandong Hi-Speed Investment Fund Management Co., Ltd. (山東高速投資基金管理有限公司), a company incorporated under the PRC laws with limited liability

“Shanghai Laisheng”	Shanghai Laisheng Medical Instrument Co., Ltd. (上海萊勝醫療器械有限公司), a company incorporated under the PRC laws with limited liability
“Shanghai Zhongshu”	Shanghai Zhongshu Supply Chain Management Co., Ltd. (上海中澍供應鏈管理有限公司), a company incorporated under the PRC laws with limited liability
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Taikang Asset Management”	Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司), a company incorporated under the PRC laws with limited liability
“Taikang Insurance”	Taikang Insurance Group Inc. (泰康保險集團股份有限公司), a company incorporated under the PRC laws with limited liability
“Tianjin Jiatai”	Tianjin Jiatai Hongde Investment Co., Ltd. (天津嘉泰弘德投資有限公司), a company incorporated under the PRC laws with limited liability
“Tianjin Rongqi”	Tianjin Rongqi Corporate Management Co., Ltd. (天津榮琪企業管理有限公司), a company incorporated under the PRC laws with limited liability
“Union Glory”	Union Glory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Urbanisation Fund”	Shandong Hi-Speed Urbanisation Fund Management Centre (Limited Partnership) (山東高速城鎮化基金管理中心(有限合夥)), a limited partnership incorporated under the PRC laws
“Yantai Chengshu Investment”	Yantai Chengshu Investment Centre (Limited Partnership) (煙台承樹投資中心(有限合夥)), a limited partnership incorporated under the PRC laws
“Yantai Jundao Investment”	Yantai Jundao Investment Centre (Limited Partnership) (煙台君道投資中心(有限合夥)), a limited partnership incorporated under the PRC laws
“Yantai Liude Yongkun Investment”	Yantai Liude Yongkun Investment Centre (Limited Partnership) (煙台六德永坤投資中心(有限合夥)), a limited partnership incorporated under the PRC laws

“Yantai Pan-Asia Investment”	Yantai Pan-Asia Investment Management Co., Ltd. (煙台泛亞投資管理有限公司), a company incorporated under the PRC laws with limited liability
“Yunnan Rongqi Investment”	Yunnan Rongqi Investment Management Co., Ltd. (雲南榮琪投資管理有限公司), a company incorporated under the PRC laws with limited liability
“Zhejiang Finance Development”	Zhejiang Finance Development Company (浙江省財務開發有限責任公司), a company incorporated under the PRC laws with limited liability
“Zhoushan Finance Investment”	Zhoushan Finance Investment Holding Co., Ltd. (舟山市財金投資控股有限公司), a company incorporated under the PRC laws with limited liability
“Zhoushan State-owned Assets Investment”	Zhoushan State-owned Assets Investment Operation Co., Ltd. (舟山市國有資產投資經營有限公司), a company incorporated under the PRC laws with limited liability
“%”	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.