

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



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

**CONTINUING CONNECTED TRANSACTION
ENTERING INTO OF PROPERTY MANAGEMENT SERVICES
FRAMEWORK AGREEMENT**

PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

On 8 December 2022, the Company entered into the Property Management Services Framework Agreement with Shudao Urban & Rural, pursuant to which Shudao Urban & Rural Group provides property management services to the Group from 1 January 2022 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shudao Investment is a controlling shareholder of the Company which holds approximately 37.863% of the issued share capital of the Company and Shudao Urban & Rural (a wholly-owned subsidiary of Shudao Investment) is an associate of Shudao Investment. Therefore, Shudao Urban & Rural is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profits ratio) in respect of the Property Management Services Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the Property Management Services Framework Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 8 December 2022 (after trading hours), the Company entered into the Property Management Services Framework Agreement with Shudao Urban & Rural, pursuant to which Shudao Urban & Rural Group provides property management services to the Group from 1 January 2022 to 31 December 2024.

PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The principal terms are set out as follows:

- Date: 8 December 2022
- Parties:
1. The Company (for itself and on behalf of the subsidiaries); and
 2. Shudao Urban & Rural (for itself and on behalf of the subsidiaries).
- Term: 1 January 2022 to 31 December 2024
- Subject matter: The main services to be provided by Shudao Urban & Rural Group to the Group during the term of the Property Management Services Framework Agreement:
1. property management services related to the properties of service area, parking area, office area of authorities, management offices and toll stations of the highways operated by the Group, as well as property management services for subsequent newly built and renovated properties;
 2. property management services for the office premises of the Group; and
 3. other property management services provided based on the need of the Group.

Pricing Policy:

1. The final consideration will be determined through procedures for tender and bidding

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations, which is subject to the inspection of relevant departments of the PRC government. In relation to the Property Management Services Framework Agreement, the Group shall act as the tenderer via the relevant business department of the responsible property management services of the Company and its subsidiaries, and the bid evaluation panel (comprising of bid evaluation experts and subject to the supervision of the government administration authorities of the PRC) will select the service provider for the Property Management Services Framework by conducting a comparison of the prices and service terms offered by all bidders so as to grant the property management services to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents.

If special requirements are made by the tenderer, the tenderer could set out requirements on property management services, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. The Group will not proceed with the transaction if Shudao Urban & Rural Group is the only bidder.

With reference to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), if there are less than three bidders, the tenderer shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding.

If Shudao Urban & Rural Group satisfies all the requirements of the Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the property management service as specified in the bidding documents of Shudao Urban & Rural Group. The transaction price is scrutinized and eventually confirmed in accordance with the same objective standard through the tendering and bidding mechanism which is also conducted on a non-exclusive basis.

Therefore, the aforementioned pricing mechanism will ensure that the price of the transaction arrangement under the Property Management Service Framework Agreement is fair and reasonable, and no less favorable than those provided by any independent third party.

2. Market price

The price of the same or similar products or services provided or accepted by an independent third party in the ordinary course of business on normal commercial terms.

In terms of the market price, the Company has mainly taken into consideration the fair price for the same or similar property management services which independent third parties in Sichuan Province offer, to ensure that the terms of the individual services agreements are on normal commercial terms or no less favourable to the Company than those available from independent third parties, as well as in compliance with the terms and conditions of the Property Management Services Framework Agreement.

3. Agreed price

The price shall be determined after arm's length negotiation between the parties to the contract.

The final price shall be determined after arms' length negotiations and on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Payment terms: The Group and Shudao Urban & Rural Group shall enter into each of the individual service agreements in accordance with the terms and conditions of the Property Management Services Framework Agreement on terms mutually agreed between the parties thereto, and the detailed payment terms shall be agreed on in accordance with the principle of fairness and reasonableness.

HISTORICAL TRANSACTION AMOUNTS

The total service fees for property management services paid by the Company to Shudao Urban & Rural Group are as follows:

RMB

From 1 January 2020 to 31 December 2020 (audited)	2,033,695.56
From 1 January 2021 to 31 December 2021 (audited)	8,816,947.40
For the nine months ended 30 September 2022 (unaudited)	6,948,777.39

In terms of the above historical transaction amounts from 1 January 2020 to 31 December 2021, the Company conducted transactions with Sichuan Expressway Property Service Co., Ltd. and Sichuan Tairong Property Management Co., Ltd., respectively. As at the date of this announcement, Sichuan Expressway Property Service Co., Ltd. and Sichuan Tairong Property Management Co., Ltd. are subsidiaries of Shudao Urban & Rural.

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

Upon consideration of the below factors, the annual caps for the Property Management Services Framework Agreement for the three years from 1 January 2022 to 31 December 2024 are set out as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB</i>		
Annual caps	20,000,000	40,000,000	60,000,000

In determining the annual caps for the Property Management Services Framework Agreement mentioned above, the Directors have considered a number of factors including: (i) the historical transaction amount of similar property management services with Shudao Urban & Rural Group and independent third parties; and (ii) the property management service plans for the Group's office area, service area, parking area, management offices, toll stations and other properties for the three years ending 31 December 2024 and subsequent new and converted properties.

REASONS FOR AND BENEFITS OF THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other business related to toll roads in Sichuan Province, the PRC. According to the Group's demand plan for property management services, it is intended to select property service providers in accordance with the Group's tendering management related system in the future. The relevant members of the Shudao Urban & Rural Group are qualified to provide relevant property management services and are able to compete in accordance with the law. In order to ensure the Company's compliance with the relevant requirements of the Listing Rules in the event that the relevant members of the Shudao Urban & Rural Group are identified as property service providers, the Company entered into the Property Management Services Framework Agreement with Shudao Urban & Rural.

DIRECTORS' OPINION ON INTERNAL CONTROL PROCEDURES FOR TRANSACTION TERMS SUCH AS PRICING POLICY AND PAYMENT METHOD OF CONTINUING CONNECTED TRANSACTIONS

The Directors believe that in respect of the Property Management Services Framework Agreement, the Group has implemented complete internal control procedures and steps in practicing the transaction terms such as pricing policy and payment method of the Property Management Services Framework Agreement. At the same time, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the transactions under the Property Management Services Framework Agreement. The relevant internal procedures, steps and the measures adopted by the Company to safeguard the interests of the Company and its Shareholders as a whole are set out as follows:

1. After the above continuing connected transaction was proposed and reported by the department responsible for connected transaction business, the Directors of the Company (including independent non-executive Directors) conducted investigation on necessity and reasonableness of the connected transaction and fairness of pricing, and considered that the transaction is carried out to satisfy the need of daily business of the Group, and that the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.
2. The Board Office (董事會辦公室) and the Internal Control and Audit Supervisory Department (內控審計監事部) of the Company will review the connected transactions under the Property Management Services Framework Agreement on a regular basis, so as to consider (i) the effective implementation of the pricing policies and the payment methods as well as the appraisal of the balance of the annual caps; (ii) identify management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective. In case that any inadequacy is identified in this regard, the Company will adopt corresponding measures as soon as practicable.

3. The Internal Control and Audit Supervisory Department (內控審計監事部) of the Company will conduct internal checks at least twice a year to ensure that internal control measures in respect of the transactions under the Property Management Services Framework Agreement remain complete and effective.

DIRECTORS' OPINION ON THE CONTINUING CONNECTED TRANSACTION

The terms of the Property Management Services Framework Agreement were arrived at after arm's length negotiations which were on normal commercial terms and no less favourable than terms for the same or similar services which independent third parties in Sichuan Province offer or accept. In light of the above, the Directors (including the independent non-executive Directors) were of the view that the terms of the Property Management Services Framework Agreement were on normal commercial terms and that the transactions thereunder were conducted in the ordinary and usual course of business of the Group and were fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors (including the independent non-executive Directors) were of the view that the relevant annual caps amounts for the continuing connected transactions were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

ABSTENTION FROM VOTING ON THE RESOLUTION

According to Clause one of Article 18 of Chapter 4 of the Decision-making System for Related Party Transactions, the Company's internal system, "the decision-making authority for the Company's related party transactions is as follows: after being reviewed and approved by the general manager's office meeting and then signed and confirmed by the chairman of the Board, the Company's transactions with the transaction amount of less than RMB20 million or not exceeding 3% of the absolute value of the latest audited net assets of the Company could be approved."

Accordingly, the Property Management Services Framework Agreement and the transactions thereunder shall be subject to the approval by the general manager's office meeting of the Company instead of being passed by the Board through relevant resolutions. The independent non-executive Directors of the Company have given their prior approval and independent opinions on the consideration and approval of the above agreement. The general manager's office of the Company has convened a meeting and substantially all of the executive Directors have attended it and considered and approved the above agreement. None of the Directors is materially interested in the Property Management Services Framework Agreement and is required to abstain from voting on the general manager's office meeting resolution in respect of the Property Management Services Framework Agreement and the transactions thereunder.

INFORMATION OF THE COMPANY AND SHUDAO URBAN & RURAL

The Company is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC, as well as the operation of other businesses related to toll roads.

Shudao Urban & Rural is a limited liability company established in the PRC, whose scope of business includes but is not limited to the management of enterprise headquarters, property management and commercial complex management services. Shudao Urban & Rural is a wholly-owned subsidiary of Shudao Investment; Shudao Investment is a wholly-owned subsidiary of Sichuan Development Holding Co., Ltd.; and Sichuan Development Holding Co., Ltd. is wholly-owned by the People's Government of Sichuan Province.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shudao Investment is a controlling shareholder of the Company which holds approximately 37.863% of the issued share capital of the Company and Shudao Urban & Rural (a wholly-owned subsidiary of Shudao Investment) is an associate of Shudao Investment. Therefore, Shudao Urban & Rural is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profits ratio) in respect of the Property Management Services Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the Property Management Services Framework Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“A Share(s)”	ordinary share(s) denominated in RMB of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on Main Board of the Stock Exchange (stock code: 00107) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601107)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Stocks on the SSE, as the case may be
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Property Management Services”	the property management services provided by Shudao Urban & Rural Group to the Company under the Property Management Services Framework Agreement, including, but not limited to, 1. public space cleaning, greening management, vehicle guidance, order maintenance and patrol, etc. for the service area (parking area); 2. environmental maintenance, order maintenance, canteen service, facilities and equipment maintenance and repairing and inspection, etc. for office area of authorities, management offices and public space of toll stations; and 3. repairing, maintenance, operation and management of common area and common facilities and equipment (including auxiliary facilities) of buildings and structures relating to office, indoor cleaning and indoor greening rental.
“Property Management Services Framework Agreement”	The property management services framework agreement entered into between the Company and Shudao Urban & Rural on 8 December 2022 in relation to the provision of property management services
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and/or H Share(s) (as the case may be)
“Shareholder(s)”	registered holder(s) of the Share(s)
“Shudao Investment”	Shudao Investment Group Company Limited, the controlling shareholder of the Company
“Shudao Investment Group”	Shudao Investment and its subsidiaries (other than the Group)
“Shudao Urban & Rural”	Sichuan Shudao Urban & Rural Investment Group Co., Ltd.* (四川蜀道城鄉投資集團有限責任公司), a limited liability company established in the PRC
“Shudao Urban & Rural Group”	Shudao Urban & Rural and its subsidiaries

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

percent

By order of the Board
Sichuan Expressway Company Limited*
Yao Jiancheng
Joint Company Secretary

Chengdu, Sichuan Province, the PRC
8 December 2022

As at the date of this announcement, the Board comprises Mr. Gan Yongyi (Chairman), Mr. Li Wenhui (Vice Chairman), Madam Ma Yonghan, Mr. You Zhiming and Madam Xue Min as executive Directors, Mr. Wu Xinhua (Vice Chairman), Mr. Li Chengyong and Mr. Chen Chaoxiong as non-executive Directors, Mr. Yu Haizong, Mr. Yan Qixiang, Madam Bu Danlu and Mr. Zhang Qinghua as independent non-executive Directors.

* *For identification purposes only*