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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 TRANSACTION
THE 2023 CROSS-BORDER FUND CENTRALISED OPERATION AND
MANAGEMENT SERVICES AGREEMENT

The Company is pleased to announce that the Company entered into the 2023 Cross-border Fund Centralised Operation and Management Services Agreement with Shandong Hi-Speed Group on 8 June 2023, pursuant to which, among others, Shandong Hi-Speed Group agrees to provide the Cross-border Fund Centralised Operation and Management Services to the Company in accordance with the terms and conditions of the agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Hi-Speed Group indirectly held approximately 38.93% of the issued Shares of the Company through its subsidiary, Shandong Hi-Speed. Shandong Hi-Speed Group is a controlling Shareholder of the Company, and thus a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transaction contemplated under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual cap are more than 0.1% but less than 5%, the 2023 Cross-border Fund Centralised Operation and Management Services Agreement and the transaction contemplated thereunder (including its annual cap) are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that the Company entered into the 2023 Cross-border Fund Centralised Operation and Management Services Agreement with Shandong Hi-Speed Group on 8 June 2023, pursuant to which, among others, Shandong Hi-Speed Group agrees to provide the Cross-border Fund Centralised Operation and Management Services to the Company in accordance with the terms and conditions of the agreement.

THE 2023 CROSS-BORDER FUND CENTRALISED OPERATION AND MANAGEMENT SERVICES AGREEMENT

The principal terms of the 2023 Cross-border Fund Centralised Operation and Management Services Agreement are set out as follows:

- Date** : 8 June 2023
- Parties** : (i) the Company; and
(ii) Shandong Hi-Speed Group
- Term** : from the effective date of the agreement to 31 December 2023
- Subject matter** : Shandong Hi-Speed Group agrees to act as the principal corporate entity to provide the Group with Cross-border Fund Centralised Operation and Management Services at nil consideration, in particular, Shandong Hi-Speed Group will incorporate the Group as a member of its cross-border fund centralised operation, and upon the Group remitting the relevant fund to Shandong Hi-Speed Group's specified account for centralised cross-border fund operation and management, the business cooperation bank (業務合作銀行) of Shandong Hi-Speed Group will process the remittance in accordance with the approved cross-border remittance application and business background information. The Group will use the Cross-border Fund Centralised Operation and Management Services for the purposes of cross-border remittance related matters such as collection and payment as well as net settlement for foreign debts, overseas lending and centralised recurring project funding.
- Conditions precedent** : The 2023 Cross-border Fund Centralised Operation and Management Services Agreement is conditional upon the approval by the Board of the agreement and transaction contemplated thereunder.

PRICING POLICY

Shandong Hi-Speed Group will provide the Group with the Cross-border Fund Centralised Operation and Management Services at nil consideration.

PROPOSED ANNUAL CAP AND BASIS FOR ITS DETERMINATION

Between 8 June 2023 and 31 December 2023, the Group's daily fund balance in Shandong Hi-Speed Group's specified account for centralised cross-border fund operation and management shall not exceed RMB140 million.

The annual cap above was determined after arm's length negotiations between the Company and Shandong Hi-Speed Group taking into account of the following factors:

- (i) The Company commences the trading of commodities such as industrial products and metallic materials through Qilu Expressway (Hong Kong), which involves cross-border funding arrangements. For the year ended 31 December 2022, Qilu Expressway (Hong Kong) has incurred trade procurement amount of approximately RMB94 million; and
- (ii) Considering historical transactions (including trade procurement volume for industrial products and metallic materials for year 2022 and 2023 to date) and the business plan for the second half of 2023, the increase of these business volume is expected to further enhance the Group's demand for cross-border fund flow and payment arrangement services in respect of such trade procurement.

HISTORICAL TRANSACTION AMOUNTS

As at the date of this announcement, the Group did not conduct any transaction with Shandong Hi-Speed Group in connection with any Cross-border Fund Centralised Operation and Management Services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 CROSS-BORDER FUND CENTRALISED OPERATION AND MANAGEMENT SERVICES AGREEMENT

In recent years, the Group has been actively developing its business on the procurement and trading of commodities such as industrial products, construction and metallic materials. The Group conducts the relevant business through Qilu Expressway (Hong Kong), involving cross-border flows of funds and payment arrangements. The major reasons for and benefits of the entering into of the 2023 Cross-border Fund Centralised Operation and Management Services Agreement by the Company are as follows:

- (i) **Improving the liquidity of cross-border funds:** Cross-border Fund Centralised Operation and Management Services facilitate the Group's trading and procurement of commodities such as industrial products, construction and metallic materials. The Company may, leveraging on Shandong Hi-Speed Group's existing cross-border funding arrangements, readily arrange for cross-border flows of funds and payment through Shandong Hi-Speed Group's Cross-border Fund Centralised Operation and Management Services in a flexible and timely manner without restrictions, which shortens cross-border funds turnover and helps maximise costs and operational efficiency;
- (ii) **Familiarity with the Group's business helps promote flexibility and convenience:** Shandong Hi-Speed Group has established business relationship with the Group in relation to procurement and sales of construction and metallic materials. Shandong Hi-Speed Group is familiar with the Group's capital structure, business operations, capital requirements and cash flow model, which enables it to better anticipate the Group's capital needs. As such, Shandong Hi-Speed Group can readily provide services for the Group in a flexible, convenient and cost-effective manner;

- (iii) **The Group's competence in selecting service providers:** The Group establishes another channel for services provider access through entering into the 2023 Cross-border Fund Centralised Operation and Management Services Agreement with Shandong Hi-Speed Group. Not only can the Group cooperate with Shandong Hi-Speed Group, it is also not restricted to select other financial institutions (including PRC commercial banks) for cooperation. The Group has the discretion to work with any institution of its choice and to obtain any best terms it offers; and
- (iv) **Favourable commercial terms:** Shandong Hi-Speed Group can offer the Group more favourable commercial terms than those available from domestic commercial banks. For instance, Shandong Hi-Speed Group does not charge the Group service fees for cross-border fund management that are generally charged by PRC commercial banks, and the Group can benefit from the arrangements under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement, which saves its finance costs.

In addition, the Group can actively connect overseas markets and enhance its overseas operation scale by taking advantage of the Cross-border Fund Centralised Operation and Management Services provided by Shandong Hi-Speed Group, which help to expand the Group's industrial chain and value chain in transportation taking full advantage of Hong Kong's position as an international trade centre, implement the Group's new development strategy of "leading by principal business and industry-finance integration and two-wheel drive (主業引領、產融結合、雙輪驅動)", and promote its industry-finance integration and efficiency enhancement.

Based on the above, the Board (excluding Mr. Zhou Cenyu and Ms. Kong Xia who are required to abstain from voting on the relevant Board resolution but including the independent non-executive Directors) considers that the terms of the 2023 Cross-border Fund Centralised Operation and Management Services Agreement (including its annual cap) and the transaction contemplated thereunder 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 Group and the Shareholders as a whole.

INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTION

The Group has established a comprehensive internal control system to ensure that the continuing connected transaction under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement is 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 2023 Cross-border Fund Centralised Operation and Management Services Agreement in accordance with the connected transaction management measures and internal control system;
- (ii) the Group has designated a team comprising the management, the securities investment department, the planning and finance department, the human resources department, the corporate management department and the audit and legal department of the Company to continuously monitor the continuing connected transactions and report to the Board on a regular basis;

- (iii) the Company will regularly monitor the subject matter of the continuing connected transaction under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement to ensure that the transaction is fair and reasonable and complies with its pricing policy;
- (iv) the management team of the Group will, together with the strategic finance department, regularly review the actual transaction amount to ensure that the relevant annual cap will not be exceeded;
- (v) the 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 2023 Cross-border Fund Centralised Operation and Management Services Agreement on an annual basis and the financial statements on a semi-annual basis. The review mainly covers whether the Group and the connected person have fulfilled the terms under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement during the relevant period, and whether the actual transaction amount incurred between the Group and the connected person is within the annual cap;
- (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 in respect of 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 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.

INFORMATION OF THE PARTIES

The Company

The Company is a joint stock company incorporated and validly existing under the laws of the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange. The Company is principally engaged in (i) the construction, maintenance, operation and management of expressways, including the Jihe Expressway, the Deshang (Liaocheng – Fan County section) and Shennan Expressways; (ii) highway engineering construction, expressway maintenance, municipal greening and other construction projects; 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 People's 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 People's Government and the investment and financing entity of major transportation projects in Shandong Province.

DIRECTORS' INTEREST IN THE ABOVE TRANSACTION

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 (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 a director of Shangao Quanyin Supply Chain Management Co., Ltd. (山高荃銀供應鏈管理有限公司), a subsidiary of Shandong Hi-Speed Supply Chain Management Co., Ltd. and thus a subsidiary of Shandong Hi-Speed Group; and (ii) Ms. Kong Xia 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, whereas 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 transaction contemplated under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement and therefore have abstained from voting on the relevant Board resolution. Save for the above, none of the Directors has or is deemed to have a material interest in the above transaction and is required to abstain from voting on the relevant Board resolution.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Hi-Speed Group indirectly held approximately 38.93% of the issued Shares of the Company through its subsidiary, Shandong Hi-Speed. Shandong Hi-Speed Group is a controlling Shareholder of the Company, and thus a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transaction contemplated under the 2023 Cross-border Fund Centralised Operation and Management Services Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual cap are more than 0.1% but less than 5%, the 2023 Cross-border Fund Centralised Operation and Management Services Agreement and the transaction contemplated thereunder (including its annual cap) are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2023 Cross-border Fund Centralised Operation and Management Services Agreement”	the service agreement dated 8 June 2023 and entered into between the Company and Shandong Hi-Speed Group, in relation to, among others, the provision of the Cross-border Fund Centralised Operation and Management Services by Shandong Hi-Speed Group to the Company from the effective date of the agreement to 31 December 2023
“Board”	the board of Directors
“Company”	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1576)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Cross-border Funds Centralised Operation and Management Services”	the cross-border fund centralised operation and management services provided by Shandong Hi-Speed Group in accordance with the 2023 Cross-border Fund Centralised Operation and Management Services Agreement, for the purposes of cross-border remittance related matters such as collection and payment as well as net settlement for foreign debts, overseas lending and centralized recurring project funding
“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
“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”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Qilu Expressway (Hong Kong)”	Qilu Expressway (Hong Kong) Company Limited (齊魯高速(香港)有限公司), a company incorporated in Hong Kong with limited liability and a 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 joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600350.SH), directly holding approximately 38.93% of the total issued Shares of the Company as at the date of this announcement, and 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, indirectly holding 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 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)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percentage

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

Shandong, the PRC
8 June 2023

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.