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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 – NEW 2021-2023 GENERAL SERVICES FRAMEWORK AGREEMENT

THE NEW 2021-2023 GENERAL SERVICES FRAMEWORK AGREEMENT

References are made to the announcement of the Company dated 2 June 2020 and the Acquisition Circular. As disclosed therein, the Company entered into the 2021-2023 General Services Framework Agreement with Qilu Transportation on 2 June 2020 agreeing, among others, the provision of the General Highway Business Operation Services by Qilu Transportation and its relevant Subordinated Entities to the Company. The proposed annual caps under the 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 are RMB15 million.

Reference is made to the announcement dated 26 November 2020 of the Company. As disclosed therein, upon completion of the Joint Restructuring, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interest or other interest in the subordinating companies held by Qilu Transportation were assumed by Shandong Hi-Speed Group as the surviving company upon completion of the Joint Restructuring.

Having taken into account of the scope of services that can be provided by Shandong Hi-Speed Group and its relevant Subordinated Entities and the business needs of the Company, the Company has come to the unanimous decision with Shandong Hi-Speed Group after negotiation that the New 2021-2023 General Services Framework Agreement shall be entered into on 18 June 2021, to supersede the 2021-2023 General Services Framework Agreement and make agreements on matters in relation to the provision of the General Highway Business Operation Services by Shandong Hi-Speed Group and its relevant Subordinated Entities to the Group from 2021 to 2023. The proposed annual caps under the New 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 are RMB43 million.

LISTING RULES IMPLICATIONS

Partially Exempt Continuing Connected Transaction

As at the date of this announcement, Shandong Hi-Speed Group and its direct wholly-owned subsidiary, Shandong Hi-Speed Investment, hold approximately 38.93% and 5.19% of the issued shares of the Company respectively and Shandong Hi-Speed Group is a Controlling Shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Shandong Hi-Speed Group and its branch company, Shandong Hi-Speed Group Liaocheng Branch, are connected persons of the Company. Therefore, the transactions contemplated under the New 2021-2023 General Services Framework Agreement constitute a continuing connected transaction under Chapter 14A of the Listing Rules.

Individually, the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the highest annual cap under the New 2021-2023 General Services Framework Agreement is more than 0.1% but less than 5%.

As (i) the parties under the Deshang and Shennan Expressways Service Agreement and the New 2021-2023 General Services Framework Agreement are the same; (ii) all matters, in respect of the transactions contemplated under such agreements cover, among others, highway maintenance services to be provided by Shandong Hi-Speed Group (and/or its Subordinated Entities) to the Group; and (iii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. When aggregated, the aggregated annual caps in respect the above transactions for the three years ending 31 December 2023 are RMB80 million, RMB84 million and RMB43 million (the Deshang and Shennan Expressways Service Agreement will end on 31 December 2022), respectively. As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the highest annual cap for the aggregated transactions above is still more than 0.1% but less than 5%, the transactions under the Deshang and Shennan Expressways Service Agreement and the New 2021-2023 General Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN THE ABOVE TRANSACTIONS

As our non-executive Directors, Mr. Zhou Cenyu is the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) which is a wholly-owned subsidiary of Shandong Hi-Speed Group, Ms. Kong Xia is the secretary of the party committee of the head office of Shandong Hi-Speed Group and Mr. Tang Haolai is the vice general manager and a member of party committee of Shandong Hi-Speed Investment which is a direct wholly-owned subsidiary of Shandong Hi-Speed Group, and Shandong Hi-Speed Group is a connected person of the Company, they are materially interested in the transactions contemplated under the New 2021-2023 General Services Framework Agreement and therefore have abstained from voting on the relevant Board resolutions. In addition to those set out above, none of the Directors has a material interest in the above matters and is required to abstain from voting on the relevant Board resolutions.

INTRODUCTION

References are made to the announcement of the Company dated 2 June 2020 and the Acquisition Circular. As disclosed therein, the Company entered into the 2021-2023 General Services Framework Agreement with Qilu Transportation on 2 June 2020 agreeing, among others, the provision of the General Highway Business Operation Services by Qilu Transportation and its relevant Subordinated Entities to the Company. The proposed annual caps under the 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 are RMB15 million.

Reference is made to the announcement dated 26 November 2020 of the Company. As disclosed therein, upon completion of the Joint Restructuring, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of Qilu Transportation, and the subordinating branch entities and equity interest or other interest in the subordinating companies held by Qilu Transportation were assumed by Shandong Hi-Speed Group as the surviving company upon completion of the Joint Restructuring.

Having taken into account of the scope of services that can be provided by Shandong Hi-Speed Group and its relevant Subordinated Entities and the business needs of the Company, the Company has come to the unanimous decision with Shandong Hi-Speed Group after negotiation that the New 2021-2023 General Services Framework Agreement shall be entered into on 18 June 2021, to supersede the 2021-2023 General Services Framework Agreement and make agreements on matters in relation to the provision of the General Highway Business Operation Services by Shandong Hi-Speed Group and its relevant Subordinated Entities to the Group from 2021 to 2023. The proposed annual caps under the New 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 are RMB43 million.

THE NEW 2021-2023 GENERAL SERVICES FRAMEWORK AGREEMENT

The key terms of the New 2021-2023 General Services Framework Agreement are set out as follows:

- Date : 18 June 2021
- Parties : (i) the Company; and
(ii) Shandong Hi-Speed Group
- Effective period : From 18 June 2021 to 31 December 2023 (both days inclusive)
- Subject matter : Pursuant to the New 2021-2023 General Services Framework Agreement, Shandong Hi-Speed Group and its relevant Subordinated Entities will provide the Group with certain services in relation to highway business operation, including (i) highway design services including planning, renovation, engineering, survey and system design of flyovers, road surfaces, highways and ancillary facilities; (ii) highway inspection and maintenance services including regular inspections of roadbed and road surface, regular and ad-hoc inspections of bridges and tunnels as well as maintenance and repair of flyovers and road surfaces; (iii) highway research and analysis services including survey and analysis of road sections, research on the treatment measures and techniques, projection of and research on the traffic volume and toll income, operational management of toll collection; and (iv) highway construction supporting services including monitoring of highway technologies, project supervision, project contracting, supply of bulk materials and other related or similar services.
- Demand estimation : Other than those that require public bidding, the Group shall submit an estimation of its demand for services for the next year or any adjustment plan on service projects for the current year to Shandong Hi-Speed Group by 31 October of each year. Both parties shall also reach a consensus on the plan before 30 November of the same year. In the event that the service demand plan for the next year is more or less the same as that of the current year, Shandong Hi-Speed Group and its relevant Subordinated Entities shall fulfill the plan.

Pricing Policies

The pricing of each of the services provided under the New 2021-2023 General Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price: where the central or local government imposes price control on a particular service at any time within the agreement period of the New 2021-2023 General Services Framework Agreement, the price of such service 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 the central or local government guided price standard is available for a particular service 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 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 or the previous government prescribed or guided price are no longer applicable to such service, the price of such service shall be determined with reference to the market price through negotiation between both parties to the agreement. In determining the market price, both parties shall take into consideration the following key factors:
 - (a) the prevailing market price charged by any third party providing a similar service in the region where the service is provided by one of the parties, the quotation from other service suppliers providing the same service and a minimum of two comparable transactions carried out with Independent Third Parties during the same period; and
 - (b) the same or similar service provided by Shandong Hi-Speed Group and its relevant Subordinated Entities to any third party, and the minimum quotation for such service.

The Board confirms that none of the General Highway Business Operation Services is subject to government-prescribed price. Construction project cost consulting service (建設工程造價諮詢服務) is subject to government-guided prices pursuant to the requirements under the Notice on the Standards for the Cost Consultation Services of New Construction Projects (《關於新增建設工程造價諮詢服務收費標準的通知》(魯價費發[2004] 239 號)) (Lu Jia Fei Fa [2004] No. 239) and the Notice on Continuing the Implementation of the Standards for the Cost Consultation Services of New Construction Projects (《關於繼續執行新增建設工程造價諮詢服務收費標準的通知》(魯價費發[2007] 205 號)) (Lu Jia Fei Fa [2007] No. 205) promulgated by the Shandong Provincial Price Bureau and the Shandong Province Department of Housing and Urban-Rural Construction (山東省住房和城鄉建設廳) in 2004 and 2007, respectively. The above government-guided price is determined and announced by the Shandong Provincial Price Bureau and the Shandong Province Department of Housing and Urban-Rural Construction from time to time by issuing notices and public announcements on the government websites. There is no fixed period upon which the government authorities will update the government-guided price. Market price is applicable for all other General Highway Business Operation Services.

Therefore, the Group will apply the government-guided price for the procurement of construction project cost consulting service, which is under the category of highway construction supporting services, from Shandong Hi-Speed Group and its relevant Subordinated Entities. In general, construction project cost consulting service may include construction project budget and settlement, quotation review, construction project quantity list preparation or review, construction stage overall process cost control, estimation of reinforcement and embedded parts and preparation and review of final accounts for acceptance etc..

For services subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process.

The relevant laws and regulations governing the procedures of tenders and bids include the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), The Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Measures for the Administration of the Bidding for Highway Construction Projects (《公路工程建設項目招標投標管理辦法》). Currently, the prices for certain types of services for highway design, maintenance and construction related shall be determined through bidding process under laws and regulations.

Pursuant to the Regulations on Construction Projects Required to be Tendered (《必須招標的工程項目規定》) promulgated by the NDRC, procurement of the General Highway Business Operation Services shall be subject to bidding if they meet any of the following threshold: (i) estimated contract sum of over RMB4 million in respect of a single contract under a construction project; (ii) procurement of key machineries and materials with an estimated consideration of over RMB2 million for a single contract; or (iii) procurement of project survey, design, and supervision services with an estimated consideration of over RMB1 million.

Accordingly, such projects of Shandong Hi-Speed Group and its Subordinated Entities at a quoted price that reached the specified level shall be subject to bidding procedures.

The basic procedures for the bidding are as follows:

- (i) bid invitation documents shall be prepared and the bidding notice shall be issued in accordance with the provisions of the relevant laws and regulations;
- (ii) the bidder shall submit the application for pre-qualification and the tenderee shall, upon the completion of the examination, issue a pre-qualification result notice to the pre-qualification applicant;
- (iii) the tenderee shall not open the bids until at least three applications have been received from the bidders;
- (iv) the bidding applications shall be examined by the expert members of bid evaluation commission, which shall be determined from the expert lists in the expert databases on a random basis, in accordance with standards and methods as provided by the bid-invitation documents. The bid evaluation committee shall submit a written report to the tenderee and make recommendations as to candidates for the winning bid. There shall be no more than three candidates for the winning bid and order shall be indicated in the report;

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

Historical amounts, annual caps and basis of determination

The annual cap for the transactions under the 2021-2023 General Services Framework Agreement shall be RMB15 million for the year ending 31 December 2021, and the actual transaction amount was RMB1.586 million for the period from 1 January 2021 to 31 May 2021.

The annual caps for the transactions contemplated under the New 2021-2023 General Services Framework Agreement for each of the three years ending 31 December 2023 shall be as follows:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps	<u>43,000</u>	<u>43,000</u>	<u>43,000</u>

Basis of the annual caps

In determining the annual caps under the New 2021-2023 General Services Framework Agreement, the Company has considered the following factors:

- (i) the historical transaction amounts incurred for the procurement of General Highway Business Operation Services from Qilu Transportation and its Subordinated Entities or Shandong Hi-Speed Group and its Subordinated Entities in respect of the Jihe Expressway;
- (ii) the nature and amounts of services involved in the specific contracts entered into between members of the Group and Qilu Transportation and its Subordinated Entities or Shandong Hi-Speed Group and its Subordinated Entities;

- (iii) the technical conditions and historical and expected traffic flow of the Deshang Expressway (Liaocheng – Fan County section), the Shennan Expressway and the Jihe Expressway, and the routine maintenance works and minor repair works expected to be performed on the expressways as part of the Group’s preventive maintenance measures;
- (iv) the expected increase in inspection works to be performed owing to the increase in the number and mileage of expressways to be operated by the Group after completion of the transactions under the Transfer Agreement;
- (v) in accordance with the technical standards for PRC expressway operations, the Jihe Expressway is expected to undergo intermediate and major maintenance and repair in the upcoming three years (that is, 2021 to 2023) in order to maintain the expressway structural and surface conditions and extend its useful life in the long run. Intermediate maintenance and repair include periodic reinforcement of normal wear and tear and partial damage to the road and ancillary facilities to restore the average technical condition of the expressway (including removal of tyre marks on the road surface), and major maintenance and repair include comprehensive, cyclical and structural maintenance of substantially damaged or worn road and ancillary facilities in order to fully restore the technical conditions of the road (including structural repair of the bridges and smoothing of the pavement bumping at the junctions and gaps between normal road surface and the bridges).

As such, intermediate and major maintenance and repair works are expected to be of large scale and involve a number of infrastructure parts of the expressway, such works generally attain a large contract sum and contribute relatively higher annual caps during the upcoming three years;

- (vi) the related highway engineering design, monitoring and project supervision works, on-road quality testing (實車測試) and the estimated demand of bulk highway construction materials to be required to facilitate the intermediate and major maintenance and repair works to be performed on the Jihe Expressway and the reconstruction and expansion of some of the toll stations of the Jihe Expressway;
- (vii) the expected increase in demands of the Group for the General Highway Business Operation Services due to the business growth and expansion of the Group and, in particular, after completion of the transactions under the Transfer Agreement;
- (viii) the upgrade of the information system of some of the toll stations of the Jihe Expressway; and
- (ix) the estimated increase in the price of the General Highway Business Operation Services due to the expected rising costs of labour, raw materials and technology.

In addition to the above, the following factors have also been taken into consideration in determining the annual cap under the New 2021-2023 General Services Framework Agreement:

Upon completion of the Joint Restructuring, the capabilities of Shandong Hi-Speed Group in construction, supply of raw materials and design supervision have enhanced, with higher qualification for the expressways business. The services that Shandong Hi-Speed Group and its relevant Subordinated Entities can provide gradually cover all respects of the expressway business, which gives it a better advantage in open tenders and biddings. Therefore, the scope of cooperation in expressway business between Shandong Hi-Speed Group and the Group and in turn the scope of connected transactions will further expand, which results in the need of further increasing the annual caps for 2021 to 2023. The entering into of the New 2021-2023 General Services Framework Agreement would be conducive to the further management of connected transactions between Shandong Hi-Speed Group and the Company.

Taking into account of the further expansion of the scope of cooperation in expressway business between Shandong Hi-Speed Group and its relevant Subordinated Entities and the Group, as well as the daily maintenance and minor repairs and relevant engineering design supervision and upgrade works to be conducted on the Deshang Expressway (Liaocheng – Fan County section), the Shennan Expressway and the Jihe Expressway and the upcoming substantial highway design, inspection and maintenance, project supervision and construction support works to facilitate the intermediate and major maintenance and repair works on the Jihe Expressway in the upcoming three years, the Board (excluding Mr. Zhou Cenyu, Ms. Kong Xia and Mr. Tang Haolai who were required to abstain from voting on the relevant Board resolutions but including the independent non-executive Directors) is of the view that the proposed annual caps under the New 2021-2023 General Services Framework Agreement are justified in the light of the above circumstances, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the New 2021-2023 General Services Framework Agreement

Shandong Hi-Speed Group and its relevant Subordinated Entities have been providing General Highway Business Operation Services to the Group in order to build up the business chain and promote the sustainable development of Shandong provincial roads. The reasons for the transactions carried out between us and Shandong Hi-Speed Group and its relevant Subordinated Entities are as follows:

- (i) members of the Group have established business relationships with Shandong Hi-Speed Group and its relevant Subordinated Entities;
- (ii) the relevant service suppliers have the expertise in their respective fields and may possess licenses and/or experienced and skilled technical staff necessary for carrying out professional business;
- (iii) the Group will benefit from economy of scale due to the professional technical support from Shandong Hi-Speed Group and its relevant Subordinated Entities which are devoted to providing services in relation to highway operation business and the use of such services will be more cost effective;

- (iv) for certain sophisticated technical support and repair and maintenance services, the existing arrangements with Shandong Hi-Speed Group and its relevant Subordinated Entities will save cost when compared with the procurement of similar technical support and services from domestic and overseas service providers; and
- (v) the services provided to the Group by Shandong Hi-Speed Group and its relevant Subordinated Entities have been on no less favourable terms as compared with the services provided by Independent Third Parties, taking into account the service quality, price, understanding of the business needs and operational requirements of the Group, familiarity with the projects of the Group and value-added contributions that could be offered, and these services are in compliance with the applicable industry requirements of road safety and maintenance in general.

As the New 2021-2023 General Services Framework Agreement were entered into during the ordinary and usual course of the business of the Group and on normal commercial terms, the Board (excluding Mr. Zhou Cenyu, Ms. Kong Xia and Mr. Tang Haolai who were required to abstain from voting on the relevant Board resolutions but including the independent non-executive Directors) is of the view that the General Highway Business Operation Services are and will continue to be conducted in the ordinary and usual course of business of the Group and on arm's length basis, the terms and conditions of the New 2021-2023 General Services Framework Agreement have been negotiated on an arm's length basis and are on normal commercial terms, and the New 2021-2023 General Services Framework Agreement (including the annual caps under the New 2021-2023 General Services Framework Agreement) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the 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 New 2021-2023 General Services 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 New 2021-2023 General Services Framework Agreement in accordance with the connected transaction management measures and internal control system;
- (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 continuously monitor the continuing connected transactions 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:
 - (a) the Company will regularly conduct market survey and review the applicable laws, rules, regulations and policies, and collect information to determine the quality of the relevant service personnel, their remuneration level, and the fee rates of the service provider;

- (b) the Company will regularly review the usage of services on a monthly basis and ensure the transaction amounts are within the annual caps;
- (c) the human resources department and the finance management department of the Company may, when appropriate, request Shandong Hi-Speed Group to provide the cost breakdown of its transactions with the Group so as to confirm the reasonableness of the price charged by Shandong Hi-Speed Group;
- (d) for provision of services under the New 2021-2023 General Services Framework Agreement, to ensure that the transactions thereunder are on normal commercial terms and terms no less favourable than those available from Independent Third Parties, where comparable services are available on the market from Independent Third Parties, before engaging for the provision of the services, the Group will obtain a quotation from at least two Independent Third Parties for the comparable services and conduct an overall assessment on the terms of provision of services. The relevant members of the Group would only engage Shandong Hi-Speed Group and its relevant Subordinated Entities for the provision of the services when, according to the results of the overall assessment by the Group, Shandong Hi-Speed Group and its relevant Subordinated Entities offer the best terms of supply for the services, and the corporate management department and the audit and legal department of the Group have (i) reviewed the terms for the supply of goods or services and (ii) separately given their approval for engaging Shandong Hi-Speed Group and its relevant Subordinated Entities. The quotations obtained from the Independent Third Parties would be recorded in the internal system of the Group which would be updated from time to time so that the members of the Group would have an easy access of information regarding market price and other terms of supply;
- (iv) the management team of the Group will, together with the finance 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 completeness and effectiveness of the internal control measures in relation to the continuing connected transactions;
- (vi) the Board reviews the implementation of the New 2021-2023 General Services Framework Agreement on an annual basis and the financial statements on a semi-annual basis. The review mainly includes 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 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;

- (viii) the audit committee of the Company reviews the annual financial statements and opines on the continuing connected transactions during the year, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps; and
- (ix) 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 ON THE COMPANY AND THE PARTIES

The Company

The Company is principally engaged in (i) the construction, maintenance, operation, management and other businesses of the Jihe Expressway; and (ii) the maintenance, operation, management and other businesses of the Deshang and Shennan Expressways in Shandong Province, the PRC.

Shandong Hi-Speed Group

Shandong Hi-Speed Group is a limited liability company incorporated in the PRC. It is a state-owned capital investment company in infrastructure sector in Shandong Province. Its major objectives are to operate and manage the expressways within its jurisdiction, carry out the construction of major transportation projects assigned by the Shandong Provincial Government, and revitalise, integrate, operate and manage the 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Hi-Speed Group and its direct wholly-owned subsidiary, Shandong Hi-Speed Investment, hold approximately 38.93% and 5.19% of the issued shares of the Company respectively and Shandong Hi-Speed Group is a Controlling Shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Shandong Hi-Speed Group and its branch company, Shandong Hi-Speed Group Liaocheng Branch, are connected persons of the Company. Therefore, the transactions contemplated under the New 2021-2023 General Services Framework Agreement constitute a continuing connected transaction under Chapter 14A of the Listing Rules.

Individually, the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the highest annual cap under the New 2021-2023 General Services Framework Agreement is more than 0.1% but less than 5%.

As (i) the parties under the Deshang and Shennan Expressways Service Agreement and the New 2021-2023 General Services Framework Agreement are the same; (ii) all matters, in respect of the transactions contemplated under such agreements cover, among others, highway maintenance services to be provided by Shandong Hi-Speed Group (and/or its Subordinated Entities) to the Group; and (iii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. When aggregated, the aggregated annual caps in respect the above transactions for the three years ending 31 December 2023 are RMB80,000,000, RMB84,000,000 and RMB43,000,000 (the Deshang and Shennan Expressways Service Agreement will end on 31 December 2022), respectively. As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the highest annual cap for the aggregated transactions above is still more than 0.1% but less than 5%, the transactions under the Deshang and Shennan Expressways Service Agreement and the New 2021-2023 General Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN THE ABOVE TRANSACTIONS

As our non-executive Directors, Mr. Zhou Cenyu is the secretary of the party general branch and the chairman of the board of directors (a legal representative) of Shandong Hi-Speed Supply Chain Management Co., Ltd. (山東高速供應鏈管理有限公司) which is a wholly-owned subsidiary of Shandong Hi-Speed Group, Ms. Kong Xia is the secretary of the party committee of the head office of Shandong Hi-Speed Group and Mr. Tang Haolai is the vice general manager and a member of party committee of Shandong Hi-Speed Investment which is a direct wholly-owned subsidiary of Shandong Hi-Speed Group, and Shandong Hi-Speed Group is a connected person of the Company, they are materially interested in the transactions contemplated under the New 2021-2023 General Services Framework Agreement and therefore have abstained from voting on the relevant Board resolutions. In addition to those set out above, none of the Directors has a material interest in the above matters and is required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“2021-2023 General Services Framework Agreement”	the agreement dated 2 June 2020 and entered into between the Company and Qilu Transportation in relation to the procurement of the General Highway Business Operation Services from Qilu Transportation and its relevant Subordinated Entities for the three years ending 31 December 2023
“Acquisition Circular”	the circular of the Company dated 26 June 2020 in relation to, among others, the acquisition of the Deshang and Shennan Expressways Toll Collection Rights by the Company from Qilu Transportation and the 2021-2023 General Services Framework Agreement
“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
“Deshang and Shennan Expressways”	collectively, the Deshang Expressway (Liaocheng – Fan County section) and the Shennan Expressway
“Deshang and Shennan Expressways Service Agreement”	the agreement (which has been assumed by Shandong Hi-Speed Group after the Joint Restructuring) dated 2 June 2020 and entered into among the Company, Shandong Hi-Speed Group Liaocheng Branch and Qilu Transportation for the secondment of the employees of Shandong Hi-Speed Group Liaocheng Branch recruited under the public-institution staffing standards to provide the Company with services such as toll collection and maintenance of the Deshang and Shennan Expressways and the proposed annual caps for the transactions under the Deshang and Shennan Expressways Service Agreement for the two years ending 31 December 2022 shall be RMB37 million and RMB41 million respectively, details of which are set out in the Acquisition Circular
“Deshang Expressway (Liaocheng – Fan County section)”	an expressway running from West Ring Expressway of Liaocheng City, Shandong Province to the intersection of Gucheng Town of Shen County and Yancunpu Town of Fan County (Shandong-Henan boundary), and connecting to the Fan County section of the Deshang Expressway in Henan Province, with a total length of approximately 68.942 km
“Director(s)”	the director(s) of the Company

“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“General Highway Business Operation Services”	various services in relation to highway business operation, including highway design services, highway inspection and maintenance services, highway research and analysis services and highway construction supporting services
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent of and not connected with the Company and its connected persons
“Jihe Expressway”	Jinan to Heze Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
“Joint Restructuring”	the joint restructuring of Shandong Hi-Speed Group and Qilu Transportation by way of merger by absorption of Qilu Transportation by Shandong Hi-Speed Group pursuant to the Merger Agreement
“km”	kilometre(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger Agreement”	the merger agreement dated 23 September 2020 and entered into between Shandong Hi-Speed Group and Qilu Transportation in relation to the Joint Restructuring
“NDRC”	the National Development and Reform Commission of the PRC (中國國家發展和改革委員會), which is a comprehensive functional department of the State in charge of the management of national economy and social development
“New 2021-2023 General Services Framework Agreement”	the agreement dated 18 June 2021 and entered into between the Company and Shandong Hi-Speed Group to supersede the 2021-2023 General Services Framework Agreement and in relation to the procurement of the General Highway Business Operation Services from Shandong Hi-Speed Group and its relevant Subordinated Entities for the three years ending 31 December 2023

“PRC” or “State”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Qilu Transportation”	Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015 and deregistered by the PRC competent authorities upon completion of the Joint Restructuring on 16 November 2020, and a then Controlling Shareholder before completion of the Joint Restructuring
“Qilu Transportation and its relevant Subordinated Entities”	Qilu Transportation and its subsidiaries, branch companies and associates
“RMB”	Renminbi, the lawful currency of the PRC
“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, holding approximately 38.93% of the total issued Shares as at the date of this announcement, is an existing Controlling Shareholder
“Shandong Hi-Speed Group and its relevant Subordinated Entities”	Shandong Hi-Speed Group and its subsidiaries, branch companies and associates
“Shandong Hi-Speed Group Liaocheng Branch”	Shandong Hi-Speed Group Company Limited Liaocheng Branch (山東高速集團有限公司聊城分公司) (formerly known as Qilu Transportation Development Group Company Limited Liaocheng Branch (齊魯交通發展集團有限公司聊城分公司)), formerly a branch company of Qilu Transportation before completion of the Joint Restructuring and currently a branch company of Shandong Hi-Speed Group
“Shandong Hi-Speed Investment”	Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Shandong Hi-Speed Group
“Shandong Provincial Government”	the Shandong Provincial People’s Government of the PRC
“Shandong Provincial Price Bureau”	the Price Bureau of the Shandong Provincial Government (山東省政府物價局)
“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

“Shennan Expressway”	a highway running from the K150+400 point of Deshang Expressway at the south of Beixuzhuang Village, Shen County, Shandong Province, the PRC, and connecting to the Henan-Shandong Boundary-Nanle section of Nanlin Expressway in Henan Province at the east bank of the Tuhai River in the south of Xiduantun Village, with a total length of approximately 18.267 km
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Entities”	subsidiaries, branch companies and associates
“subsidiary(ies)”	has the meaning to it under the Listing Rules
“Transfer Agreement”	the conditional Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》) dated 2 June 2020 and entered into between Qilu Transportation (as transferor) and the Company (as transferee) in relation to the transfer of the toll collection rights of the Deshang and Shennan Expressways, as supplemented and amended by a supplemental agreement to the Toll Road Interest Transfer Agreement (《收費公路權益轉讓合同》之補充協議) entered into between the above parties on the same date
“%”	per cent

By Order of the Board
Qilu Expressway Company Limited
Li Gang
Chairman

Shandong, the PRC
18 June 2021

As at the date of this announcement, the executive Directors are Mr. Li Gang, 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. Tang Haolai and Mr. Du Zhongming; and the independent non-executive Directors are Mr. Cheng Xuezhao, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.