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**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 SETTLEMENT AND OPERATION SERVICES**  
**FRAMEWORK AGREEMENT FOR EXPRESSWAY NETWORK**  
**TOLL COLLECTION SYSTEM**

Reference is made to the announcement of the Company dated 29 November 2018 in relation to the Previous Service Agreement entered into between the Company and Sichuan Zhineng, the then indirect subsidiary of STIG.

**SERVICE AGREEMENT**

Reference is made to the announcement of the Company dated 28 May 2021 on inside information - progress of the strategic restructuring by controlling shareholder, pursuant to which, STIG, the former controlling shareholder of the Company, and Shudao Investment have completed the strategic restructuring with the date of the announcement as the date of the completion. From the date of the completion, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of STIG, and the subordinate branch entities and equity interests or other interests in the subordinate companies held by STIG shall be vested in Shudao Investment. Accordingly, the controlling shareholder of the Company and Sichuan Zhineng has changed from STIG to Shudao Investment.

As the Previous Service Agreement will expire on 31 December 2021, the Company and Sichuan Zhineng entered into the Service Agreement on 23 December 2021.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shudao Investment is a controlling shareholder of the Company which holds approximately 35.865% of the issued share capital of the Company and Sichuan Zhineng (an indirect subsidiary of Shudao Investment) is an associate of Shudao Investment. Therefore, Sichuan Zhineng is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Service Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profit ratio) in respect of the Service Agreement are, on an annual basis, more than 0.1% but less than 5%, the Service Agreement is subject to the reporting, announcement and annual review requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 29 November 2018 in relation to the Previous Service Agreement entered into between the Company and Sichuan Zhineng, the then indirect subsidiary of STIG.

Reference is made to the announcement of the Company dated 28 May 2021 on inside information - progress of the strategic restructuring by controlling shareholder, pursuant to which, STIG, the former controlling shareholder of the Company, and Shudao Investment have completed the strategic restructuring with the date of the announcement as the date of the completion. From the date of the completion, all the assets, liabilities, business, employees, contracts and qualifications together with all other rights and obligations of STIG, and the subordinate branch entities and equity interests or other interests in the subordinate companies held by STIG shall be vested in Shudao Investment. Accordingly, the controlling shareholder of the Company and Sichuan Zhineng has changed from STIG to Shudao Investment.

As the Previous Service Agreement will expire on 31 December 2021, the Company and Sichuan Zhineng entered into the Services Agreement on 23 December 2021.

## THE SERVICE AGREEMENT

The principal terms of the Service Agreement are set out as follows:

Date:	23 December 2021
Parties:	The Company (and on behalf of the Group); and  Sichuan Zhineng
Term:	1 January 2022 to 31 December 2024
Subject matter:	<p>The main services to be provided by Sichuan Zhineng to the Group during the term of the Service Agreement:</p> <ol style="list-style-type: none"><li>1. tolls classification and settlement work;</li><li>2. management and maintenance of toll collection network software and fee data;</li><li>3. coordination of the toll collection system;</li><li>4. supervision on the operation of electromechanical equipment and emergency repair work; and</li><li>5. cyber security of the network toll collection system</li></ol>
Service fee:	The lesser of 4‰ of classified toll fee for the whole year by the Group or not more than RMB35,000,000 per year.
Payment terms:	The service fee shall be collected immediately upon the settlement of the toll on the same day and Sichuan Zhineng shall issue an invoice to the Group at the end of the month for the settlement and operation service fee for the current month. If Sichuan Zhineng fails to issue the aforesaid invoice in time, the Group may withhold the payment.
Annual caps:	The annual cap for each of the three years ending 31 December 2024 is RMB35,000,000.

## **BASIS FOR DETERMINING THE SERVICE FEE**

The service fee was determined by the parties in a fair and reasonable manner having considered the commonly-used commercial terms and conditions and the market price for the same or similar type of services, and with reference to the toll standard in Sichuan Province and no less favorable than terms available to the Company or terms offered by independent third parties.

## **HISTORICAL TRANSACTION AMOUNTS**

The total service fees paid by the Company to Sichuan Zhineng are as follows:

	<i>RMB ('000)</i>
From 1 January 2019 to 31 December 2019 (audited)	16,081
From 1 January 2020 to 31 December 2020 (audited)	12,393
For the six months ended 30 June 2021 (unaudited)	7,373

## **ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS**

In determining the annual caps for the Service Agreement, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Service Agreement; (ii) the estimated traffic volume of the expressways managed by the Company for the three years ending 31 December 2024; and (iii) the estimated annual toll fees receivable by the Company for the three years ending 31 December 2024.

## **REASONS FOR AND BENEFITS OF THE SERVICE 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. The Company believes that Sichuan Zhineng is able to provide better services for the expressway network toll fee collection at lower costs to meet the daily operation needs of the Group.

## **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 Service Agreement, the Group has implemented complete internal control procedures and steps in practicing the transaction terms such as pricing policy and payment method of continuing connected transactions. 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 Service Agreement. The relevant internal procedures, steps and the measures adopted by the Company to safeguard the interests of the Company and the 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 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 Service 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 continuing connected transaction agreement remain complete and effective.

## **DIRECTORS' OPINION ON THE CONTINUING CONNECTED TRANSACTIONS**

The terms of the Service Agreement were arrived at after arm's length negotiations which were on normal commercial terms and no less favourable than terms available to the Company or terms offered by independent third parties. In light of the above, the Directors (including the independent non-executive Directors) were of the view that the terms of the Service Agreement were on normal commercial terms and 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 Service 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 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. As Mr. Li Wenhui, an executive Director, holds positions in Shudao Investment Group, he is regarded as being interested in the Service Agreement and he did not attend the above general manager's office meeting.

## **INFORMATION OF THE COMPANY AND SICHUAN ZHINENG**

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

Sichuan Zhineng is a limited liability company established in the PRC. It is principally engaged in communication engineering, building intelligent engineering, public safety technology prevention engineering, management and maintenance of roads, software and information technical service, e-commerce, professional technical service, services for promotion and application of science and technology, repair service for electronic products and daily products, vocational skills training, wholesale and retail of commodities, etc.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shudao Investment is a controlling shareholder of the Company which holds approximately 35.865% of the issued share capital of the Company and Sichuan Zhineng (an indirect subsidiary of Shudao Investment) is an associate of Shudao Investment. Therefore, Sichuan Zhineng is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Service Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profit ratio) in respect of the Service

Agreement are, on an annual basis, more than 0.1% but less than 5%, the Service Agreement is subject to the reporting, announcement and annual review requirements but is exempted 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) 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 Shanghai Stock Exchange (stock code: 601107)
“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 and A Shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
“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 (stock code: 00107)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Previous Service Agreement”	the Settlement and Operation Services Framework Agreement for Expressway Network Toll Collection System of Sichuan Province* (四川省高速公路聯網收費系統清算和運行服務框架協議) entered into between the Company and Sichuan Zhineng on 29 November 2018 for the period from 1 January 2019 to 31 December 2021
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shudao Investment”	Shudao Investment Group Company Limited* (蜀道投資集團有限責任公司), the controlling shareholder of the Company, subject to completion of the share transfer procedures disclosed in the announcement of the Company dated 28 May 2021 by Shudao Investment
“Shudao Investment Group”	Shudao Investment and its subsidiaries (other than the Group)
“STIG”	Sichuan Transportation Investment Group Company Limited* (四川省交通投資集團有限責任公司), the former controlling shareholder of the Company
“Service Agreement”	the Settlement and Operation Services Framework Agreement for Expressway Network Toll Collection System of Sichuan Province* (四川省高速公路聯網收費系統清算和運行服務框架協議) entered into between the Company and Sichuan Zhineng on 23 December 2021, for the period from 1 January 2022 to 31 December 2024
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	registered holder(s) of the Share(s)

“Sichuan Zhineng”	Sichuan Zhineng Transportation System Management Company Limited* (四川智能交通系統管理有限公司), a limited liability company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By order of the Board  
**Sichuan Expressway Company Limited\***  
**Zhang Yongnian**  
*Company Secretary*

Chengdu, Sichuan, the PRC  
23 December 2021

*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 Mr. He Zhuqing as executive Directors, Mr. Liu Changsong (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.*

\* *For identification purposes only*