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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 IN RELATION TO
EXPRESSWAY NETWORK TOLL COLLECTION SYSTEM
ENTERING INTO ROAD NETWORK OPERATION GUARANTEE
SERVICES AGREEMENT
AND
TERMINATION OF PREVIOUS SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 23 December 2021 in relation to the Previous Services Agreement entered into between the Company and Sichuan Zhineng, a direct subsidiary of Shudao Investment.

ROAD NETWORK OPERATION GUARANTEE SERVICES AGREEMENT

According to the relevant requirements of government departments, the expressways are subject to safety and service quality assessment (by the government), and Sichuan Zhineng will be responsible for managing the floating service fee and vehicle toll settlement time of the Group's expressways based on the safety and service quality assessment scores.

The Company entered into the Road Network Operation Guarantee Services Agreement with Sichuan Zhineng on 14 October 2022. In addition, from 1 November 2022, the Previous Services Agreement entered into between the Company and Sichuan Zhineng on 23 December 2021 will be terminated concurrently. Except for the agreed dates in relation to the Previous Services Agreement, the above-mentioned Sichuan Zhineng will be responsible for managing the floating service fee and vehicle toll settlement time of the Group's expressways based on the safety and service quality assessment scores (assessed by the government), the Road Network Operation Guarantee Services Agreement was reproduced from the arrangement on the Previous Services Agreement with substantively the same terms and conditions as the arrangement on the Previous Services Agreement. For further details of the Road Network Operation Guarantee Services Agreement, please refer to the section headed "Road Network Operation Guarantee Services Agreement" in this announcement.

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 Sichuan Zhineng (a direct 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 Road Network Operation Guarantee Services 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 profit ratio) in respect of the Road Network Operation Guarantee Services Agreement are, on an annual basis, more than 0.1% but less than 5%, the Road Network Operation Guarantee Services 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 23 December 2021 in relation to the Previous Services Agreement entered into between the Company and Sichuan Zhineng, a direct subsidiary of Shudao Investment.

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ROAD NETWORK OPERATION GUARANTEE SERVICES AGREEMENT

The principal terms are set out as follows:

Date:	14 October 2022
Parties:	The Company (and on behalf of the Group); and Sichuan Zhineng
Term:	1 November 2022 to 31 October 2025
Subject matter:	<p>The main services to be provided by Sichuan Zhineng to the Group during the term of the Road Network Operation Guarantee Services Agreement:</p> <ol style="list-style-type: none">1. tolls classification (i.e. including but not limited to the collection, transmission, splitting and statistics of the relevant vehicle toll information under expressways of the Group) and settlement work;2. management and maintenance of toll collection network software and fee data;3. coordination of the toll collection system;4. supervision on the operation of electromechanical equipment and emergency repair work;5. cyber security of the network toll collection system.

Service fee:	The lesser of 4‰ of classified toll fee (i.e. vehicles under the expressways of the Group calculated by Sichuan Zhineng) by the Group or not more than RMB35,000,000 per year, whichever is the less.
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 road network operation guarantee service fee for the current month.
Floating service fee and settlement time:	According to the relevant requirements of government departments, the expressways are subject to safety and service quality assessment (by the government), and Sichuan Zhineng will be responsible for managing the floating service fee and vehicle toll settlement time of the expressways of the Group based on the safety and service quality assessment scores, and executing (i) the floating management of service fee for road network operation guarantee and (ii) deferred settlement of vehicle toll.
Annual caps:	The annual cap for each of the three years ending 31 October 2025 is RMB35,000,000.

PRICING POLICY

The pricing of the Road Network Operation Guarantee Services Agreement shall be determined in the following order:

1. In principle, government-prescribed price and government-guided price shall be adopted: if at any time, the government-prescribed price is applicable to any particular type of products, technologies or services, such products, technologies or services shall be supplied at the applicable government-prescribed price;
2. If there is no government-prescribed price and government-guided price available, the market price shall be adopted: that is, the price for the same or similar products or services which independent third parties offer or accept on normal commercial terms in the ordinary and usual course of business; and
3. If there is no comparable market price available, the agreed price shall be adopted: that is, the price shall be determined after arm's length negotiation between the parties to the contract.

As at the date of this announcement, to the best of the Directors' knowledge, there is no government pricing policy applicable to the Road Network Operation Guarantee Services Agreement. If any government agency-prescribed price or guided price applies to the relevant transaction in the future, the parties to the agreement shall adopt such government agency-prescribed price or guided price first. In terms of the market price, the Company has mainly taken into consideration the fair price for the same or similar services which independent third parties in Sichuan Province offer or accept.

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 for services provided by Sichuan Zhineng to other partners 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 2020 to 31 December 2020 (audited)	12,393
From 1 January 2021 to 31 December 2021 (audited)	14,175
For the nine months ended 30 September 2022 (unaudited)	9,537

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

	For the year ending 31 December			As of
	2022	2023	2024	31 October 2025
Annual caps	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>

In determining the annual caps for the Road Network Operation Guarantee Services Agreement, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Services Agreement; (ii) the estimated traffic volume of the expressways managed by the Company for the three years ending 31 October 2025; and (iii) the estimated annual toll fees receivable by the Company for the three years ending 31 October 2025.

REASONS FOR AND BENEFITS OF THE ROAD NETWORK OPERATION GUARANTEE SERVICES 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 Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services Agreement remain complete and effective.

DIRECTORS' OPINION ON THE CONTINUING CONNECTED TRANSACTIONS

The terms of the Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services Agreement were on normal commercial terms 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 Road Network Operation Guarantee Services 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 Road Network Operation Guarantee Services Agreement and is required to abstain from voting on the general manager's office meeting resolution in respect of the Road Network Operation Guarantee Services Agreement and the transactions thereunder.

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. Sichuan Zhineng is held as to 73.5% by 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

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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
“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
“Shudao Investment Group”	Shudao Investment and its subsidiaries (other than the Group)

“Previous Services 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
“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責任公司), a limited liability company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent
“Road Network Operation Guarantee Services Agreement”	the Road Network Operation Guarantee Services Agreement for Expressway Network Toll Collection System of Sichuan Province* (四川省高速公路聯網收費系統路網運行保障服務協議) entered into between the Company and Sichuan Zhineng on 14 October 2022

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

Chengdu, Sichuan, the PRC
14 October 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. Liu Changsong (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