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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)

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF INTEREST IN TARGET COMPANY**

The Board is pleased to announce that on 9 March 2020, the Company and the Vendor entered into the Transaction Agreement, pursuant to which the Company agreed to acquire, and the Vendor agreed to sell, the Target Equity at a total consideration of RMB25,665,600, following the successful bidding by the Company in respect of the Acquisition in a public tender.

**LISTING RULES IMPLICATIONS**

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction Agreement is more than 5% but less than 25%, the transaction contemplated under the Transaction Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**INTRODUCTION**

The Board is pleased to announce that on 9 March 2020, the Company, and the Vendor entered into the Transaction Agreement, pursuant to which the Company agreed to acquire, and the Vendor agreed to sell, the Target Equity at a total consideration of RMB25,665,600, following the successful bidding by the Company in respect of the Acquisition in a public tender.

As the Target Equity relates to state-owned assets of the PRC, the Acquisition is required to proceed by way of a public tender administered by Shandong Property Rights Exchange Center. The successful bidder will enter into the Transaction Agreement with the Vendor and acquire the Target Equity in accordance with the terms and conditions of the Transaction Agreement.

### **Transaction Agreement**

The principal terms of the Transaction Agreement are set out below:

#### **Date**

9 March 2020

#### **Parties**

- (1) the Company; and
- (2) the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, Pingyin County Highway Department, are third parties independent of the Company and its connected persons as defined under the Listing Rules.

#### **Effective date**

The Transaction Agreement will become effective when is duly signed by the legal representatives or authorized representatives of the Company and the Vendor or affixed with their respective company chops, and approved and sealed by Shandong Property Rights Exchange Center.

#### **Consideration**

The total amount of consideration payable by the Company to the Vendor for the Acquisition is RMB25,665,600, which shall be settled in the following manner:

- (1) The total amount of consideration shall be paid by the Company in one lump sum by way of bank transfer to Jinan Property Rights Exchange Center within five working days from the date of the Transaction Agreement.
- (2) The consideration shall then be transferred from Jinan Property Rights Exchange Center to the Vendor.

The consideration is equivalent to the minimum bidding price for the Target Equity, and is financed by the internal resources of the Group. The consideration was determined with reference to the valuation of the Target Equity assessed by Shandong Zhongming Land and Real Estate Valuation Co., Ltd. (a professional valuer independent of the Company) on 30 September 2019. The valuation of the Target Equity is RMB25,165,600.

### **Undertaking of profit and loss**

From 30 September 2019 to the date of completion of the change of industrial and commercial registration procedures in the section headed “Completion” in this announcement, the profit or loss and associated risks incurred by the Target Company are borne by the Company.

Relevant tax fees relating to the Acquisition will be paid in accordance with the relevant laws and regulations in the PRC. Such tax fees shall be borne by each parties as agreed by the parties following negotiation.

### **Completion**

Within five business days from the effective date of the Transaction Agreement and the date of issuance of the property transaction certificate by Shandong Property Rights Exchange Center in respect of the total consideration for the Acquisition paid by the Company, the Company shall proceed with the relevant procedures of change of industrial and commercial registration in relation to the transfer of the Target Equity.

The Vendor shall complete the transfer of the assets, title certificates, financial statements, files, information, seals and chops of the Target Company involved in the Transaction Agreement to the Company by 20 March 2020, which shall be verified and accepted by the Company.

Upon Completion, the Target Company, whose qualification as a legal person will subsist, will continue to assume the original creditor’s right, debts and contingent liabilities. Upon Completion, the Company will hold the entire equity interest of the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company whose financial results will be consolidated into the financial statements of the Group.

### **Default**

If the Company fails to pay the consideration as agreed in the Transaction Agreement, the Company shall be liable to the followings:

- (1) the Company shall pay damages to the Vendor at 1‰ of the total consideration for each overdue day; and

- (2) if the Company fails to perform its payment obligations after reminder, the Vendor shall be entitled to terminate the Transaction Agreement, and demand from the Company damages equivalent to 1% of the total consideration.

If the Vendor fails to complete the transfer of the Target Equity in accordance with the Transaction Agreement, the Vendor shall be liable to the followings:

- (1) the Vendor shall pay damages to the Company at 1‰ of the total consideration for each overdue day; and
- (2) if the Vendor fails to proceed with the completion of the Target Equity, the Company shall be entitled to terminate the Transaction Agreement, and demand from the Vendor damages equivalent to 1% of the total consideration.

If there are any material matters undisclosed or omitted in relation to the assets and liabilities of the Target Company, or the same will affect the consideration of over 1%, the Company shall be entitled to terminate the Transaction Agreement, and demand from the Vendor damages equivalent to 1% of the total consideration. If the Company chooses not to terminate the Transaction Agreement, the Company is entitled to demand from the Vendor compensation for such matters.

### **Information of the Company**

The Company is an expressway operator of Shandong Province in the PRC with the Concession Rights of Jihe Expressway, and is responsible to construct, maintain, operate and manage the Jihe Expressway.

### **Information of the Vendor**

The Vendor is a state-owned enterprise incorporated under the laws of the PRC on 3 November 1992 with a registered capital of RMB30,000,000. As at the date of this announcement, the Vendor held the entire equity interest of the Target Company. The Vendor is principally engaged in the construction of highway construction machineries, highway greening (with qualification operation), wholesale and retail of automobile accessories, construction materials, timber, steel, bitumen, lubricating oil and construction machineries.

## Information of Target Company

The Target Company is a company incorporated under the laws of the PRC on 9 September 2019 with a registered capital of RMB40,000,000 and a paid-up registered capital of RMB23,000,000. The Target Company currently possesses grade two qualification of general construction contracting for highway engineering, grade two qualification of professional contracting for highway pavement engineering and grade two qualification of professional contracting for highway subgrade engineering, and will be principally engaged in undertaking highway engineering and construction business, highway engineering and construction services and road maintenance services. As at the date of this announcement, The Target Company did not record any profit or loss.

The principal assets of the Target Company are certain fixed assets (including machineries and equipment) injected by the Vendor and 40% of equity interest of Jinan Xinyue transferred to the Target Company by the Vendor. As at 30 September 2019, the investment in Jinan Xinyue by the Target Company was RMB16,571,485.23. Jinan Xinyue is a company incorporated under the laws of the PRC on 17 May 2017 with a registered capital of RMB50,000,000. Jinan Xinyue is principally engaged in research and development, production and sales of new road materials.

Financial information of Jinan Xinyue is as follows:

|                              | Year ended 31 December  |                         |
|------------------------------|-------------------------|-------------------------|
|                              | 2017                    | 2018                    |
|                              | <i>RMB'000</i>          | <i>RMB'000</i>          |
|                              | (Audited)               | (Audited)               |
| Net (loss)/profit before tax | (823.4)                 | 3,891.3                 |
| Net (loss)/profit after tax  | (823.4)                 | 3,083                   |
|                              | <b>As at</b>            | <b>As at</b>            |
|                              | <b>31 December 2017</b> | <b>31 December 2018</b> |
|                              | <i>RMB'000</i>          | <i>RMB'000</i>          |
|                              | (Audited)               | (Audited)               |
| Net asset value              | 19,176.6                | 32,260                  |
| Total asset value            | 19,714.3                | 47,718                  |

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, Pingyin County Highway Department, are third parties independent of the Company and its connected persons as defined under the Listing Rules.

The audited total asset value of the Target Company as at 30 September 2019 amounted to RMB23,524,360.25. According to the valuation report issued by Shandong Zhongming Land and Real Estate Valuation Co., Ltd. (山東中明土地房地產評估有限公司), an independent valuer, the valuation of the Target Equity as determined by asset-based approach as at 30 September 2019 amounted to RMB25,165,600.

### **Reasons for and benefits of carrying out the Acquisition**

The Acquisition, which is an opportunity for the Company to enhance the capability of road construction and in-depth participation in highway construction in Shandong Province, the PRC, is conducive to the improvement of the Company's business scale, exploration of new profit growth points and expansion of the Company's income sources and market share, contributing to steady growth in cash flow of the Company. Jinan Xinyue, with 40% of equity interest held by the Target Company, holds an area of approximately 48 mu of land, and possesses the ability of rock materials mixing and processing, the product of which is a scarce resource in the market. Approximately 250,000 tonnes of warm mix asphalt mixture are produced every year, enjoying certain advantage within the region, and providing guarantee of high quality and low cost resources for the industrial chain development and ancillary services in highway construction and maintenance engineering in the future, with significant cost control effect. Upon Completion, the Company will further strengthen the capability of road traffic construction, which will be beneficial to diversify our operational and management experience, and further strengthen the core strengths in highway investment, management and operation of the Company, and remain competitive in the industry.

The Directors believe that the terms of the Transaction Agreement are fair and reasonable, and the Transaction Agreement and the transactions contemplated thereunder (including the Acquisition) have been entered into after arm's length negotiations and determined on normal commercial terms that are in the interests of the Company and its shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction Agreement is more than 5% but less than 25%, the transaction contemplated under the Transaction Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

|                        |  |
|------------------------|--|
| “Acquisition”          | the acquisition of the Target Equity by the Company from the Vendor in the public tender   |
| “Board”                | the board of Directors of the Company  |
| “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  |
| “Completion”           | completion of transfer of the Target Equity pursuant to the terms and conditions of the Transaction Agreement  |
| “Concession Agreement” | the concession agreement in respect of the Jihe Expressway project entered into between the Shandong Provincial Transport Department (山東省交通運輸廳) as authorised by the Shandong Provincial People’s Government (山東省人民政府)) and the Company on 26 September 2004   |
| “Concession Rights”    | the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) to maintain, operate and manage the Jihe Expressway and its ancillary facilities (including but not limited to the rights in relation to the repair and maintenance of the Jihe Expressway and the toll collection of vehicles thereon) pursuant to the Concession Agreement |
| “Director(s)”          | the director(s) of the Company   |
| “Group”                | the Company and its subsidiaries   |
| “Hong Kong”            | the Hong Kong Special Administrative Region of the People’s Republic of China  |



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| “Jihe Expressway”                          | Jinan (濟南) to Heze (荷澤) Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province                          |
| “Jinan Xinyue”                             | Jinan Xinyue New Road Material Research and Development Co., Ltd. (濟南鑫岳新型道路材料研發有限公司), a joint stock company incorporated under the laws of the PRC, whose 40% of equity interest is held by the Target Company |
| “Jinan Property Rights Exchange Center”    | Jinan Property Rights Exchange Center Co., Ltd. (濟南產權交易中心有限公司), a joint stock company incorporated under the laws of the PRC   |
| “Listing Rules”                            | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “PRC”                                      | the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan                              |
| “RMB”                                      | Renminbi, the lawful currency of the PRC   |
| “Shandong Property Rights Exchange Center” | Shandong Property Rights Exchange Center Co., Ltd. (山東產權交易中心有限公司), a company incorporated under the laws of the PRC with limited liability   |
| “Stock Exchange”                           | The Stock Exchange of Hong Kong Limited  |
| “Target Company”                           | Shandong Gangtong Construction Co., Ltd. (山東港通建設有限公司), a company incorporated under the laws of the PRC with limited liability   |
| “Target Equity”                            | the entire equity interest of the Target Company   |
| “Transaction Agreement”                    | the transaction agreement dated 9 March 2020 entered into between the Company and the Vendor in respect of the Acquisition   |



“Vendor”

Pingyin County Highway Bureau Engineering Co., Ltd. (平陰縣公路局工程有限公司), a state-owned enterprise incorporated under the laws of the PRC, which owns the entire equity interest of the Target Company as at the date of this announcement

“%”

per cent

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

Shandong, the PRC  
9 March 2020

*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. Yuan Ruizheng and Mr. Tang Haolai; and the independent non-executive Directors are Mr. Cheng Xuezhan, Mr. Li Hua, Mr. Wang Lingfang, Mr. He Jiale and Mr. Han Ping.*