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Chengdu Expressway Co., Ltd.
成都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: 01785)

CONNECTED TRANSACTION

ENTERING INTO OF THE CONSTRUCTION COMPENSATION AGREEMENT

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The Board hereby announces that, Chengdu Road & Bridge, a wholly-owned subsidiary of Chengdu Expressway Construction, a controlling shareholder of the Company, needs to occupy certain roads, side ditches and green belts on the K2+100m to K3+640m section of Chengdu Airport Expressway and demolish two pedestrian overpasses and appurtenances due to the construction of the renovation project of the Blue Sky Interchange (藍天立交) node involved in the 3rd Ring Road expansion and upgrading project. Accordingly, on 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road & Bridge entered into the Construction Compensation Agreement regarding the occupation and demolition as mentioned above as well as compensation thereof.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Road & Bridge is a wholly-owned subsidiary of Chengdu Expressway Construction, a controlling shareholder of the Company, and therefore it is a connected person of the Company and the transaction contemplated under the Construction Compensation Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction exceeds 0.1% but all of them are less than 5%, the transaction shall comply with the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Board hereby announces that, Chengdu Road & Bridge, a wholly-owned subsidiary of Chengdu Expressway Construction, a controlling shareholder of the Company, needs to occupy certain roads, side ditches and green belts on the K2+100m to K3+640m section of Chengdu Airport Expressway and demolish two pedestrian overpasses and appurtenances due to the construction of the renovation project of the Blue Sky Interchange (藍天立交) node involved in the 3rd Ring Road expansion and upgrading project (the “**Project**”). Accordingly, on 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road & Bridge entered into the Construction Compensation Agreement regarding the occupation and demolition as mentioned above as well as compensation thereof.

THE CONSTRUCTION COMPENSATION AGREEMENT

The principal terms of the Construction Compensation Agreement are set out below:

Date: 14 October 2019

Parties: (1) Chengdu Airport Expressway Company
(2) Chengdu Road & Bridge

Standards of compensation: The following standards of compensation are determined upon arm’s-length negotiations between the parties:

1. Compensation for permanent occupation: as the Project will permanently occupy certain green belts along Chengdu Airport Expressway, in accordance with the standards of compensation for permanent occupation formulated by the government of Chengdu and the actual area occupied, Chengdu Road & Bridge shall make a lump-sum compensation of RMB2,566,859.17.
2. Compensation for temporary occupation: as the Project will temporarily occupy certain main sections, side ditches and green belts along Chengdu Airport Expressway, in accordance with the requirements of relevant government authorities of Sichuan Province, for occupations over 30 days, compensation for temporary occupation shall be charged regarding the period beyond 30 days. Accordingly, in line with the standards of compensation for temporary occupation formulated by relevant government authorities of Sichuan Province and the actual area occupied, Chengdu Road & Bridge shall make a compensation of RMB55,440/day, RMB1,540/day and RMB5,775/day for relevant main sections, side ditches and green belts, respectively, with the compensation period commencing from the 31st day (inclusive) of the respective occupation of relevant main sections, side ditches and green belts and expiring on the day on which the main bridge of Chengdu Airport Expressway is open to traffic (exclusive). In particular, relevant main sections and side ditches were occupied from 4 July 2019, and relevant green belts were occupied from 25 May 2019.

3. Compensation for demolition of pedestrian overpasses and appurtenances: as two pedestrian overpasses and appurtenances of Chengdu Airport Expressway Company need to be demolished in the construction of the Project, based on the value of such pedestrian overpasses and appurtenances of RMB217,200 as at the Valuation Reference Date appraised by the Independent Valuer using the cost approach, Chengdu Road & Bridge shall make a lump-sum compensation of RMB217,200.
4. Compensation for impact on toll income: as the occupation and demolition will have certain impact on the toll income of toll sections of Chengdu Airport Expressway, based on the average daily loss on toll income of RMB7,985.59 appraised by the Independent Valuer with reference to the method of recognition of historical annual revenue involved in the market approach, Chengdu Road & Bridge shall make a compensation of RMB7,985.59/day, with the compensation period commencing from the day on which the impact has been incurred to toll income, being 17 May 2019 (inclusive) and expiring on the day on which the ramp A bridge connecting the outside of the 3rd Ring Road (turning right) to the main section of Chengdu Airport Expressway is open to traffic (exclusive).
5. Safety monitoring and construction coordination fee: in accordance with the requirements of relevant government authorities of Sichuan Province and Chengdu, Chengdu Road & Bridge shall pay the safety monitoring and construction coordination fee totaling RMB100,000 to Chengdu Airport Expressway Company due to the temporary opening during the renovation and construction as well as the connection of two accesses to the main section upon completion of ramp B.

Payment of compensation:

The compensation shall be paid to Chengdu Airport Expressway Company in accordance with the following arrangements:

1. Chengdu Road & Bridge shall pay Chengdu Airport Expressway Company RMB10,104,588.29 within 15 business days from the date of entering into the Construction Compensation Agreement, which includes the above-mentioned compensation for permanent occupation, compensation for demolition of pedestrian overpasses and appurtenances, safety monitoring and construction coordination fee as well as compensation for impact on toll income and compensation for temporary occupation as of 31 October 2019 calculated based on the above-mentioned standards;

2. Chengdu Road & Bridge shall pay Chengdu Airport Expressway Company compensation for temporary occupation during the period from 1 November 2019 (inclusive) to the date of traffic commencement (exclusive) within 15 business days from the date on which the main bridge of Chengdu Airport Expressway is open to traffic; and
3. Chengdu Road & Bridge shall pay Chengdu Airport Expressway Company compensation for impact on toll income during the period from 1 November 2019 (inclusive) to the date of traffic commencement (exclusive) within 15 business days from the date on which the ramp A bridge connecting the outside of the 3rd Ring Road (turning right) to the main section of Chengdu Airport Expressway is open to traffic.

Based on the information currently available to the Company, the Company expects that the above-mentioned occupation and the impact thereof will terminate on or before 31 December 2019 and the maximum aggregate compensation calculated in this respect shall be RMB14,419,764.17. In case of extension of occupation and impact thereof as a result of the extension of construction, the compensation during the extended period shall be calculated in accordance with the above-mentioned standards and the Company will make announcement(s) in due course and fulfill relevant requirements under the Listing Rules (if applicable).

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CONSTRUCTION COMPENSATION AGREEMENT

The 3rd Ring Road expansion and upgrading project is a key project related to the livelihood of Chengdu, of which this Project forms part. As the inside main section of the 3rd Ring Road is not directly accessible to Chengdu Airport Expressway while the outside section of the 3rd Ring Road connecting Chengdu Airport Expressway is limited in traffic capacity and prone to traffic congestion, to improve the connectivity between the 3rd Ring Road and Chengdu Airport Expressway, Chengdu Road & Bridge implemented the Project in accordance with relevant requirements of Chengdu Municipal Government.

As mentioned above, although the implementation of the Project needs to occupy certain roads, side ditches and green belts on Chengdu Airport Expressway and demolish two pedestrian overpasses and appurtenances, through the entering into of the Construction Compensation Agreement, Chengdu Airport Expressway Company shall be compensated in a fair and reasonable manner for such occupation and demolition. In addition, upon completion of the Project, the number of ramps connecting the inside main section of the 3rd Ring Road to the main section of Chengdu Airport Expressway will be increased, which will improve the traffic capacity of the outside section of the 3rd Ring Road connecting Chengdu Airport Expressway and have a positive impact on the traffic inflow of Chengdu Airport Expressway.

The Directors (including independent non-executive Directors) are of the opinion that, the Construction Compensation Agreement is conducted in the ordinary and usual course of business of the Company on normal commercial terms, and the terms and conditions thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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As Mr. Xiao Jun, a non-executive Director, is also the vice chairman of Chengdu Communications, the parent company of Chengdu Expressway Construction, he is therefore deemed to be materially interested in the transaction contemplated under the Construction Compensation Agreement. Accordingly, he has abstained from voting on the relevant resolution at the Board meeting. Save as disclosed above, no other Directors have material interests in the transaction contemplated under the Construction Compensation Agreement.

GENERAL INFORMATION OF THE PARTIES

Chengdu Airport Expressway Company

Chengdu Airport Expressway Company is a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of the Company. It is primarily engaged in developing, operating and managing Chengdu Airport Expressway project, supporting passenger and freight stations and related properties alongside.

Chengdu Road & Bridge

Chengdu Road & Bridge is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Chengdu Expressway Construction, a controlling shareholder of the Company. It is primarily engaged in managing the “Five Roads and One Bridge (五路一橋)” municipal facilities and environmental sanitation in Chengdu, and participating in the development, construction, operation and management of other municipal facilities related to “Five Roads and One Bridge” as well as the construction, management and maintenance of other major city and transportation infrastructure.

Chengdu Communications

Chengdu Communications is the ultimate beneficial owner of both Chengdu Airport Expressway Company and Chengdu Road & Bridge. Chengdu Communications directly and indirectly through Chengdu Expressway Construction holds 72.46% equity interests in the Company and indirectly holds all the equity interests in Chengdu Road & Bridge. Chengdu Communications is a company incorporated in the PRC with limited liability and is primarily engaged in the investment in, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	means the board of Directors of the Company
“Chengdu Airport Expressway”	Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu
“Chengdu Airport Expressway Company”	means Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company with 55% of its equity interests held by the Company
“Chengdu Communications”	means Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling shareholders of the Company
“Chengdu Expressway Construction”	means Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling shareholders of the Company
“Chengdu Road & Bridge”	means Chengdu Road and Bridge Management Co., Ltd. (成都市路橋經營管理有限責任公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of Chengdu Expressway Construction
“Company”	means Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司)
“Construction Compensation Agreement”	means the Construction Compensation Agreement of the 3rd Ring Road Expansion and Upgrading Project (Renovation Project of the Blue Sky Interchange Node) on the Chengdu Airport Expressway (《三環路擴能提升工程(藍天立交節點改造工程)涉機場高速補償協議》) entered into between Chengdu Airport Expressway Company and Chengdu Road & Bridge on 14 October 2019
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	means the director(s) of the Company

“Independent Valuer”	means Sichuan Zhongtianhua Asset Appraisal Co., Ltd (四川中天華資產評估有限公司)
“Valuation Reference Date”	means 9 July 2019
“Group”	means the Company and its subsidiaries
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	means Renminbi, the lawful currency of the PRC

On behalf of the Board
Chengdu Expressway Co., Ltd.
Xiao Jun
Chairman

Chengdu, the PRC, 14 October 2019

As at the date of this announcement, the Board comprises Mr. Tang Fawei, Mr. Zhang Dongmin, Ms. Wang Xiao and Mr. Luo Dan as executive Directors, Mr. Xiao Jun and Mr. Yang Bin as non-executive Directors, and Mr. Shu Wa Tung, Laurence, Mr. Ye Yong and Mr. Li Yuanfu as independent non-executive Directors.