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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)

- (1) REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL PROPERTY LEASING FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS;**
- (2) RENEWAL OF CONTINUING CONNECTED TRANSACTION – PROPERTY LEASING FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023;**
- (3) REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL GENERAL SERVICES FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS;**
- (4) RENEWAL OF CONTINUING CONNECTED TRANSACTION – GENERAL SERVICES FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023; AND**
- (5) CONTINUING CONNECTED TRANSACTION – REFINED OIL FRAMEWORK AGREEMENT**

I. REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL PROPERTY LEASING FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS

Reference is made to the Prospectus in which the Company disclosed that it entered into the Original Property Leasing Framework Agreement with Chengdu Communications on 29 June 2017. The Directors estimated that, pursuant to the Original Property Leasing Framework Agreement, the maximum amount of rentals payable by the Group to Chengdu Communications for the year ending 31 December 2020 will be RMB2.9 million. Upon acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company, the Group is expected to lease more properties from Chengdu Communications. As such, the Board hereby revises the amount of the 2020 Annual Cap of Property Leasing.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the revised 2020 Annual Cap of Property Leasing is/are higher than 0.1% but less than 5%, the above continuing connected transaction is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTION – PROPERTY LEASING FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023

After negotiation with Chengdu Communications, the Company and Chengdu Communications have entered into the New Property Leasing Framework Agreement on 7 August 2020 with a term commencing from 1 January 2021 and ending on 31 December 2023. The Original Property Leasing Framework Agreement will be superseded by the New Property Leasing Framework Agreement with effect from 1 January 2021.

Listing Rules Implications

Chengdu Communications is the ultimate controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The transaction under the New Property Leasing Framework Agreement constitutes a continuing 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 relation to such transaction is/are higher than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

III. REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL GENERAL SERVICES FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS

Reference is made to the Prospectus in which the Company disclosed that it entered into the Original General Services Framework Agreement with Chengdu Communications on 29 June 2017. The Directors estimated that, pursuant to the Original General Services Framework Agreement, the maximum amount of service fees payable by the Group to Chengdu Communications for the year ending 31 December 2020 will be HK\$3 million. Upon acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company, it is expected that the Group's demand for general services provided by Chengdu Communications will increase. As such, the Board hereby revises the amount of the 2020 Annual Cap of General Services.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the revised 2020 Annual Cap of General Services is/are higher than 0.1% but less than 5%, the above continuing connected transaction is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

IV. RENEWAL OF CONTINUING CONNECTED TRANSACTION – GENERAL SERVICES FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023

After negotiation with Chengdu Communications, the Company and Chengdu Communications have entered into the New General Services Framework Agreement on 7 August 2020 with a term commencing from 1 January 2021 and ending on 31 December 2023. The Original General Services Framework Agreement will be superseded by the New General Services Framework Agreement with effect from 1 January 2021.

Listing Rules Implications

Chengdu Communications is the ultimate controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The transaction under the New General Services Framework Agreement constitutes a continuing 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 relation to such transaction is/are higher than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

V. CONTINUING CONNECTED TRANSACTION – REFINED OIL FRAMEWORK AGREEMENT

On 7 August 2020, the Company acquired 94.49% equity interest in Chengdu Energy Development Company, which holds 51% equity interest in Zhongyou Energy. As such, Zhongyou Energy has become a subsidiary of the Company under the Listing Rules. PetroChina holds the remaining 49% equity interest in Zhongyou Energy, therefore, PetroChina is the substantial shareholder of Zhongyou Energy and a connected person of the Company at the subsidiary level. On 7 August 2020, Zhongyou Energy and Chengdu Sales Branch of PetroChina entered into the Refined Oil Framework Agreement.

Listing Rules Implications

As (i) PetroChina is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Refined Oil Framework Agreement; and (iii) the independent non-executive Directors have confirmed that the Refined Oil Framework Agreement is entered into on normal commercial terms, and the terms of which are fair and reasonable, and in the interest of the Company and its shareholders as a whole, the entering into of the Refined Oil Framework Agreement is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

I. REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL PROPERTY LEASING FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS

Background

Reference is made to the Prospectus in which the Company disclosed that it entered into the Original Property Leasing Framework Agreement with Chengdu Communications on 29 June 2017, pursuant to which Chengdu Communications and its associates may lease properties to the Group at rent which shall be determined at arm's length negotiations between relevant parties and with reference to the prevailing market price of local properties in vicinity with similar size and quality. Such agreement has a term of three years commencing from the Listing Date. Pursuant to the Original Property Leasing Framework Agreement, the maximum amount of rentals payable by the Group to Chengdu Communications for the year ending 31 December 2020 shall not exceed RMB2.9 million (the "2020 Annual Cap of Property Leasing"). From 1 January 2020 to the date of this announcement, the Group has paid rentals of RMB1.5 million to Chengdu Communications, and the remaining amount of the 2020 Annual Cap of Property Leasing is RMB1.4 million.

Reasons for the Revision of 2020 Annual Cap of Property Leasing

The 2020 Annual Cap of Property Leasing of the Original Property Leasing Framework Agreement with Chengdu Communications is determined based on the terms of the then existing property lease agreements of the Group, the expected total gross floor area of properties to be leased, the expected market prices of properties in similar conditions and other relevant factors. Upon acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company, the Group is expected to lease more properties from Chengdu Communications. As such, the Board hereby revises the amount of the 2020 Annual Cap of Property Leasing.

Revised 2020 Annual Cap of Property Leasing

In light of the reasons above, the Board has resolved to increase the 2020 Annual Cap of Property Leasing to RMB3.5 million.

The revised 2020 Annual Cap of Property Leasing is determined after considering the following factors: (i) the amount of rentals paid by the Group to Chengdu Communications pursuant to the Original Property Leasing Framework Agreement from 1 January 2020 to the date of this announcement; (ii) the gross floor area and prices of existing properties of the Group to be leased from Chengdu Communications and its associates; and (iii) the expected gross floor area and prices of the new properties of the Group to be leased from Chengdu Communications and its associates.

The Directors (including the independent non-executive Directors) are of the view that, the revised 2020 Annual Cap of Property Leasing is fair and reasonable, and is in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the revised 2020 Annual Cap of Property Leasing is/are higher than 0.1% but less than 5%, the above continuing connected transaction is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTION – PROPERTY LEASING FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023

New Property Leasing Framework Agreement

Given that the Original Property Leasing Framework Agreement will expire on 14 January 2022, and the Directors need to determine the annual caps of the connected transaction with Chengdu Communications regarding property leasing for the three years ending 31 December 2023, after negotiation with Chengdu Communications, the Company and Chengdu Communications have entered into the New Property Leasing Framework Agreement on 7 August 2020 with a term commencing from 1 January 2021 and ending on 31 December 2023, and the Original Property Leasing Framework Agreement will be superseded by the New Property Leasing Framework Agreement with effect from 1 January 2021. The principal terms of the New Property Leasing Framework Agreement are set out below:

Date	:	7 August 2020
Parties	:	(1) Chengdu Communications; (2) the Company
Term	:	The agreement shall be valid for three years from 1 January 2021 to 31 December 2023.
Relationship with the Original Property Leasing Framework Agreement	:	The Original Property Leasing Framework Agreement shall be terminated with effect from 1 January 2021, being the commencement date of the term of the New Property Leasing Framework Agreement.

Principle of the transaction : For rental services of leased subjects provided by Chengdu Communications and its associates, if the terms of transaction offered by Independent Third Parties are more favourable to the Company than those offered by Chengdu Communications and its associates, the Company shall prefer the use of services provided by Independent Third Parties. According to the requirements of relevant laws and regulations, for projects available for tendering, the counterparty must be determined by tendering.

Pricing principle : The rental shall be determined through arm's length negotiations between relevant parties with reference to the prevailing market price of local properties in vicinity with similar size and quality. Chengdu Communications has guaranteed that all services or transactions involved in the New Property Leasing Framework Agreement shall be of good quality and at fair and reasonable price, and the terms of transaction offered to the Company by it shall be more favourable to the Company as compared to the terms of transaction offered to the Company by Independent Third Parties for the same or similar rental services.

For the properties leased by Chengdu Communications to the Company, before entering into any transactions with Chengdu Communications, the Group will actively seek to obtain market price information through various channels, for example, obtaining quotes from at least two independent landlords which lease local properties in vicinity with similar size and quality. Our administration, tendering and procurement departments will review and compare such quotes with the quotes offered by Chengdu Communications, or depending on the actual circumstances, report the quotes to our management for their further review, to determine whether to accept the quotes offered by Chengdu Communications, so as to ensure that the rent of the properties leased by Chengdu Communications to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from Independent Third Parties. The Directors (including independent non-executive Directors) are of the view that, the above methods and procedures can ensure that the transactions contemplated under the New Property Leasing Framework Agreement are entered into on normal commercial terms without prejudice to the interest of the Company and its minority shareholders.

- Method of implementation : (1) For all property leases under the New Property Leasing Framework Agreement, relevant parties may enter into separate specific contract under the framework provided in the New Property Leasing Framework Agreement, and such specific contract shall not violate the provisions under the New Property Leasing Framework Agreement.
- (2) Both parties shall use their best efforts to ensure and procure their respective subsidiaries to enter into the specific contract based on the supplying plan agreed by both parties according to the principles and requirements of the New Property Leasing Framework Agreement.

Historical Transaction Amount

For the two years ended 31 December 2019, the rentals paid by the Group to Chengdu Communications and its associates under the Original Property Leasing Framework Agreement amounted to RMB1.1 million and RMB1.9 million, respectively. Reference is made to the Prospectus which stated that, for the two financial years ended 31 December 2019, the annual caps of the rentals payable by the Group to Chengdu Communications and its associates under the Original Property Leasing Framework Agreement amounted to RMB1.1 million and RMB2.6 million, respectively.

The Directors has been monitoring the transaction amounts under the Original Property Leasing Framework Agreement, and such amounts did not exceed the respective annual caps for the two years ended 31 December 2019. As of the date of this announcement, the transaction amount incurred in 2020 did not exceed the 2020 annual cap.

Proposed Annual Caps

Pursuant to the New Property Leasing Framework Agreement, for the three years ending 31 December 2021, 2022 and 2023, the total value of right-of-use assets involved in the properties leased by the Group from Chengdu Communications and its associates shall not exceed the following amounts:

	Annual cap for the year ending 31 December 2021 (RMB million)	Annual cap for the year ending 31 December 2022 (RMB million)	Annual cap for the year ending 31 December 2023 (RMB million)
Total value of right-of-use assets involved in the properties leased by the Group from Chengdu Communications and its associates	17	17	17

In estimating the above annual caps, the Company has primarily taken into account of the following factors: (i) the terms of the existing property lease agreements of the Group; (ii) the expected total gross floor area of properties (approximately 4,536 m²) to be leased; (iii) the expected market prices of properties in similar conditions; (iv) the gross floor area (approximately 990 m²) and prices of properties that may be leased from Chengdu Communications by the new subsidiaries after acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company; and (v) the effect on the transaction amount from the recognition of property leases under the New Property Leasing Framework Agreement as acquisition of right-of-use assets according to International Financial Reporting Standard 16 – Leases.

Reasons for and Benefits of Entering Into the New Property Leasing Framework Agreement

The Group has been leasing office premises from Chengdu Communications since March 2017. The Directors believe that leasing instead of acquiring the relevant office premises from Chengdu Communications would benefit the Company as it is considered to be more cost-efficient.

The Directors (including independent non-executive Directors but excluding Mr. Xiao Jun who abstained from participating in the approval of the New Property Leasing Framework Agreement due to conflict of interest) are of the view that the New Property Leasing Framework Agreement is entered into in the usual and ordinary course of business of the Group after arm's length negotiation by the Group on normal commercial terms, and the terms of which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

Chengdu Communications is the ultimate controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The transaction under the New Property Leasing Framework Agreement constitutes a continuing 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 relation to such transaction is/are higher than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

Mr. Xiao Jun, a non-executive Director who also serves as a director of Chengdu Communications and is deemed to be materially interested in the transaction contemplated under the New Property Leasing Framework Agreement, has abstained from voting on relevant resolution at the Board meeting. Save as disclosed above, no other Director has a material interest in the transaction contemplated under the New Property Leasing Framework Agreement.

III. REVISION OF THE 2020 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE ORIGINAL GENERAL SERVICES FRAMEWORK AGREEMENT WITH CHENGDU COMMUNICATIONS

Background

Reference is made to the Prospectus in which the Company disclosed that it entered into the Original General Services Framework Agreement with Chengdu Communications on 29 June 2017, pursuant to which Chengdu Communications may provide certain general services, such as property management, catering, parking, maintenance, lease marketing and administrative services, to the Group according to actual needs. The service fees shall be determined based on normal commercial terms for the ordinary course of business of the Group with reference to the price of the same or similar services provided by an Independent Third Party in the vicinity areas. Such agreement has a term of three years commencing from the Listing Date. Pursuant to the Original General Services Framework Agreement, the maximum amount of general service fees payable by the Group to Chengdu Communications for the year ending 31 December 2020 shall not exceed HK\$3 million (the “**2020 Annual Cap of General Services**”). From 1 January 2020 to the date of this announcement, the Group has paid service fees of approximately RMB1.1 million (approximately HK\$1.2 million) to Chengdu Communications, and the remaining amount of the 2020 Annual Cap of General Services is approximately RMB1.6 million (approximately HK\$1.8 million).

Reasons for the Revision of 2020 Annual Cap of General Services

The 2020 Annual Cap of General Services was determined based on normal commercial terms for the ordinary course of business of the Company with reference to the price of the same or similar services provided by an Independent Third Party in the vicinity areas. Upon acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company, the Group’s demand for general services provided by Chengdu Communications will increase. As such, the Board hereby revises the amount of the 2020 Annual Cap of General Services.

Revised 2020 Annual Cap of General Services

In light of the reasons above, the Board has resolved to increase the 2020 Annual Cap of General Services to RMB3.6 million.

The revised 2020 Annual Cap of General Services is determined after considering the following factors: (i) the amount of service fees paid by the Group to Chengdu Communications pursuant to the Original General Services Framework Agreement from 1 January 2020 to the date of this announcement; (ii) the expected increase in the Group’s demand for general services after acquisition of 94.49% equity interest in Chengdu Energy Development Company; and (iii) the increase in prices and service fees due to inflation.

The Directors (including the independent non-executive Directors) are of the view that, the revised 2020 Annual Cap of General Services is fair and reasonable, and is in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the revised 2020 Annual Cap of General Services is/are higher than 0.1% but less than 5%, the above continuing connected transaction is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

IV. RENEWAL OF CONTINUING CONNECTED TRANSACTION – GENERAL SERVICES FRAMEWORK AGREEMENT FOR YEAR 2021 TO YEAR 2023

New General Services Framework Agreement

Given that the Original General Services Framework Agreement will expire on 14 January 2022, and the Directors need to determine the annual caps of the connected transaction with Chengdu Communications regarding general services for the three years ending 31 December 2023, after negotiation with Chengdu Communications, the Company and Chengdu Communications have entered into the New General Services Framework Agreement on 7 August 2020 with a term commencing from 1 January 2021 and ending on 31 December 2023, and the Original General Services Framework Agreement will be superseded by the New General Services Framework Agreement with effect from 1 January 2021. The principal terms of the New General Services Framework Agreement are set out below:

Date	:	7 August 2020
Parties	:	(1) Chengdu Communications; (2) the Company
Term	:	The agreement shall be valid for three years from 1 January 2021 to 31 December 2023.
Relationship with the Original General Services Framework Agreement	:	The Original General Services Framework Agreement shall be terminated with effect from 1 January 2021, being the commencement date of the term of the New General Services Framework Agreement.
Details of general services	:	Both parties unanimously agree that, as permitted by relevant laws, Chengdu Communications and its associates may provide the following general services to the Group: (1) To provide property management service and water and electricity services to the properties of Chengdu Communications and its associates leased by the Group;

- (2) To provide elevator access control card service to the properties of Chengdu Communications and its associates leased by the Group;
- (3) To provide staff canteen catering service to the Group;
- (4) To provide parking management service to the properties of Chengdu Communications and its associates leased by the Group;
- (5) To provide repair and maintenance services to the properties of Chengdu Communications and its associates leased by the Group;
- (6) To provide management and leasing services to the properties owned by the Group; and
- (7) To provide other general services as agreed by both parties to the Group.

Principle of the transaction : The Company and Chengdu Communications agree that, for services or transactional items provided to the Company by Chengdu Communications and its associates, if the terms of service or transaction offered by Independent Third Parties are the same as or more favourable than those offered by Chengdu Communications and its associates, the Company shall prefer the use of services provided by third parties. According to the requirements of relevant laws and regulations, for projects available for tendering, the counterparty must be determined by tendering.

Pricing principle : The prices of various services under the New General Services Framework Agreement shall be determined based on the general principles in this section and in the following order:

- (1) Adopting market price;
- (2) If no market price is available or the principles above are not applicable in actual transactions, the agreed price shall be adopted.

Chengdu Communications has guaranteed that all services or transactional items provided to the Company by Chengdu Communications and its associates shall be of good quality and at fair and reasonable price, and the terms of service or transaction offered to the Company by it shall be more favourable to the Company as compared to the terms offered to the Company by Independent Third Parties for the same or similar services or transactions.

Before entering into any transactions with Chengdu Communications, the Group will obtain quotes from at least two independent service providers which provide the same or similar services in the vicinity areas. Our administration, tendering and procurement departments will review and compare such quotes with the quotes from Chengdu Communications when determining service providers so as to ensure that the price of the general services provided by Chengdu Communications to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from Independent Third Parties. If there is no applicable market price available, Chengdu Communications has agreed to price the general services to us at cost to ensure the service fee is fair and reasonable or more favorable to the Group than the quotes available from Independent Third Parties. The Directors (including independent non-executive Directors) are of the view that, the above methods and procedures can ensure that the transactions contemplated under the New General Services Framework Agreement are entered into on normal commercial terms without prejudice to the interest of the Company and its minority shareholders.

Method of
implementation :

- (1) For all services under the New General Services Framework Agreement, relevant parties may enter into separate specific contract under the framework provided in the New General Services Framework Agreement, and such specific contract shall not violate the provisions under the New General Services Framework Agreement.

- (2) Both parties shall use their best efforts to ensure and procure their respective subsidiaries to enter into the specific contract based on the supplying plan agreed by both parties according to the principles and requirements of the New General Services Framework Agreement. Chengdu Communications has undertaken to use its best efforts to procure its associates other than subsidiaries to enter into the specific contract based on the supplying plan agreed by both parties according to the principles and requirements of the New General Services Framework Agreement.

Historical Transaction Amount

For the two years ended 31 December 2019, the historical transaction amounts under the Original General Services Framework Agreement amounted to RMB0.8 million (approximately HK\$0.9 million) and RMB1.5 million (approximately HK\$1.6 million), respectively. Reference is made to the Prospectus which stated that, for the two financial years ended 31 December 2019, the annual caps of the transactions contemplated under the Original General Services Framework Agreement were up to HK\$3 million and HK\$3 million, respectively.

The Directors has been monitoring the transaction amounts under the Original General Services Framework Agreement, and such amounts did not exceed the respective annual caps for the two years ended 31 December 2019. As of the date of this announcement, the transaction amount incurred in 2020 did not exceed the 2020 annual cap.

Annual Caps

Pursuant to the New General Services Framework Agreement, for the three years ending 31 December 2021, 2022 and 2023, the annual service fees payable by the Group to Chengdu Communications and its associates shall not exceed the following amounts:

	Annual cap for the year ending 31 December 2021 <i>(RMB million)</i>	Annual cap for the year ending 31 December 2022 <i>(RMB million)</i>	Annual cap for the year ending 31 December 2023 <i>(RMB million)</i>
Annual service fees payable by the Group to Chengdu Communications and its associates	7.3	7.4	7.4

In estimating the above annual caps, the Company has primarily taken into account of the following factors: (i) the historical transaction amount of general services provided to the Group by Chengdu Communications; (ii) the service fees paid by the Group to Chengdu Communications under the Original General Services Framework Agreement from 1 January 2020 to the date of this announcement; (iii) the types and quantity of existing general services obtained by the Group from Chengdu Communications; (iv) the quality standards of existing general services provided to the Group by Chengdu Communications; (v) the market prices of various services under the New General Services Framework Agreement; (vi) the number of staff that may be involved in various services under the New General Services Framework Agreement; and (vii) the increase in prices and service fees due to inflation.

Reasons for and Benefits of Entering Into the New General Services Framework Agreement

To facilitate the Group's operational activities, Chengdu Communications has been providing general services to the Group over the years. Given the quality, cost, efficiency and convenience of using such services, continuing to use such services provided by Chengdu Communications will be beneficial to the Group.

The Directors (including independent non-executive Directors but excluding Mr. Xiao Jun who abstained from participating in the approval of the New General Services Framework Agreement due to conflict of interest) are of the view that the New General Services Framework Agreement is entered into in the usual and ordinary course of business of the Group after arm's length negotiation by the Group on normal commercial terms, and the terms of which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

Chengdu Communications is the ultimate controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The transaction under the New General Services Framework Agreement constitutes a continuing 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 relation to such transaction is/are higher than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

Mr. Xiao Jun, a non-executive Director who also serves as a director of Chengdu Communications and is deemed to be materially interested in the transaction contemplated under the New General Services Framework Agreement, has abstained from voting on relevant resolution at the Board meeting. Save as disclosed above, no other Director has a material interest in the transaction contemplated under the New General Services Framework Agreement.

V. CONTINUING CONNECTED TRANSACTION – REFINED OIL FRAMEWORK AGREEMENT

Background

On 7 August 2020, the Company acquired 94.49% equity interest in Chengdu Energy Development Company, which holds 51% equity interest in Zhongyou Energy. As such, Zhongyou Energy has become a subsidiary of the Company under the Listing Rules. PetroChina holds the remaining 49% equity interest in Zhongyou Energy, therefore, PetroChina is the substantial shareholder of Zhongyou Energy and a connected person of the Company at the subsidiary level. On 7 August 2020, Zhongyou Energy and Chengdu Sales Branch of PetroChina entered into the Refined Oil Framework Agreement.

Refined Oil Framework Agreement

The principal terms of the Refined Oil Framework Agreement are set out below:

Date	:	7 August 2020
Parties	:	(1) Zhongyou Energy, as the buyer; (2) Chengdu Sales Branch of PetroChina, as the supplier and provider of relevant refined oil transportation service
Term	:	The term of the agreement shall commence on the date of fulfilling all effective conditions and end on 31 December 2022.
Nature of transaction	:	During the term of the agreement, Zhongyou Energy may purchase specific types of refined oil (including transportation service) from Chengdu Sales Branch of PetroChina.
Pricing policy	:	Chengdu Sales Branch of PetroChina shall supply refined oil to Zhongyou Energy at most favourable selling price which shall not exceed the prevailing transfer price of Sichuan Sales Branch of PetroChina (being the arrival price which includes the cost of transportation service, and such transfer price shall not exceed the prevailing guidance price of refined oil published by the NDRC on its official website (www.ndrc.gov.cn), and pursuant to the Measures for the Administration of Petroleum Prices (《石油價格管理辦法》) promulgated by the NDRC on 13 January 2016, the adjustment guidance prices are issued every 10 working days) on the date of issuing of the sales invoice.

During the course of business, Zhongyou Energy shall assign designated staff to check the selling price. Such designated staff will monitor the transfer price of Sichuan Sales Branch of PetroChina and the prevailing guidance price of refined oil published by the NDRC on a real time basis in order to ensure that the selling price of refined oil offered to Zhongyou Energy by Chengdu Sales Branch of PetroChina is in compliance with the terms under the agreement and is not higher than the prevailing guidance price of refined oil published by the NDRC. The Directors (including independent non-executive Directors) are of the view that, the above methods and procedures can ensure that the transactions contemplated under the Refined Oil Framework Agreement are entered into on normal commercial terms without prejudice to the interest of the Company and its minority shareholders.

- Payment of consideration : Consideration of the Refined Oil Framework Agreement shall be paid on the basis of cash before delivery, that is, Zhongyou Energy may pay the consideration by bank transfer or telegraphic transfer to the designated account of Chengdu Sales Branch of PetroChina, which, upon confirming the receipt of payment, will handle subsequent procedures according to the sales process, and issue sales invoice and provide other relevant documents to Zhongyou Energy.
- Effective conditions : The Refined Oil Framework Agreement shall be effective upon fulfillment of the following conditions:
- (1) Both parties have performed necessary internal decision-making procedures and the legal representatives or authorized representatives of both parties have signed on the Refined Oil Framework Agreement with company seals affixed thereto.

- (2) Chengdu Energy Development Company, the controlling shareholder of Zhongyou Energy, has actually become a subsidiary of the Company, that is, the acquisition of 94.49% equity interest in Chengdu Energy Development Company by the Company has been considered and approved at the general meeting of the Company, and Chengdu Energy Development Company has convened a general meeting to confirm the Company as its controlling shareholder.

As of the date of this announcement, the above effective conditions have been fulfilled.

Historical Transaction Amount

For the three years ended 31 December 2019, the historical transaction amounts of refined oil trading between Zhongyou Energy and Chengdu Sales Branch of PetroChina amounted to RMB706.2 million, RMB701.7 million and RMB575.1 million, respectively.

Proposed Annual Cap

According to the pricing policy as agreed in the Refined Oil Framework Agreement, for the period from the effective date of the Refined Oil Framework Agreement to 31 December 2020 and the two years ending 31 December 2021 and 2022, the total amount of consideration payable by Zhongyou Energy to Chengdu Sales Branch of PetroChina shall not exceed the following amounts:

	Cap for the period from the effective date of the Refined Oil Framework Agreement to 31 December 2020 (RMB million)	Annual cap for the year ending 31 December 2021 (RMB million)	Annual cap for the year ending 31 December 2022 (RMB million)
Total amount of consideration payable by Zhongyou Energy to Chengdu Sales Branch of PetroChina	320	1,100	1,500

In estimating the above annual caps, the Company has primarily taken into account of the following factors: (i) the historical transaction amount of refined oil purchased by Zhongyou Energy from Chengdu Sales Branch of PetroChina; (ii) the expected increase in sales of refined oil of Zhongyou Energy with the improving situation of COVID-19 and recovering economy; (iii) the expected addition of new gas stations in Year 2021 and Year 2022 based on Zhongyou Energy's future plan of business development; and (iv) the expected increase in unit price of refined oil with the gradual improvement of market-oriented economy in the future.

Reasons for and Benefits of Entering Into the Refined Oil Framework Agreement

Zhongyou Energy is primarily engaged in the business of sales of refined oil. The entering into of the Refined Oil Framework Agreement may facilitate the Group in achieving continuous, stable and healthy development of its energy segment, enable Zhongyou Energy to achieve stable supply of refined oil and meet the need of daily operation of Zhongyou Energy.

The Directors (including independent non-executive Directors) are of the view that the Refined Oil Framework Agreement is entered into in the usual and ordinary course of business of the Group after arm's length negotiation by the Group on normal commercial terms, and the terms of which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Listing Rules Implications

On 7 August 2020, the Company acquired 94.49% equity interest in Chengdu Energy Development Company, which holds 51% equity interest in Zhongyou Energy. As such, Zhongyou Energy has become a subsidiary of the Company under the Listing Rules. PetroChina holds the remaining 49% equity interest in Zhongyou Energy, therefore, PetroChina is the substantial shareholder of Zhongyou Energy and a connected person of the Company at the subsidiary level under the Listing Rules. As such, the transaction under the Refined Oil Framework Agreement constitutes a continuing connected transaction.

As (i) PetroChina is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Refined Oil Framework Agreement; and (iii) the independent non-executive Directors have confirmed that the Refined Oil Framework Agreement is entered into on normal commercial terms, and the terms of which are fair and reasonable, and in the interest of the Company and its shareholders as a whole, the entering into of the Refined Oil Framework Agreement is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the transaction contemplated under the Refined Oil Framework Agreement.

BASIC INFORMATION OF THE PARTIES TO THE AGREEMENTS

The Company is primarily engaged in the operation, management and development of expressways, and has expanded to the business of retailing of refined oil and natural gas operation conducted through indirectly owned joint ventures and associates on 7 August 2020. Controlling subsidiaries and associates include companies engaged in expressway toll collection, operation and maintenance, investment and construction of service areas and other relevant business such as Chengwenqiong Expressway as well as Chengdu Energy Development Company and its subsidiaries, joint ventures and associates (including subsidiaries of associates).

Chengdu Communications is primarily engaged in the investment, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province, and is one of the controlling shareholders of the Company. Chengdu Communications holds 72.46% equity interests in the Company directly and indirectly through Chengdu Expressway Construction. The ultimate beneficial owner of Chengdu Communications is Chengdu Municipal State-owned Assets Supervision and Administration Commission (成都市國有資產監督管理委員會).

Zhongyou Energy is one of the subsidiaries of the Company, which is owned as to 51% equity interest by the Company through Chengdu Energy Development Company and 49% equity interest by PetroChina.

Chengdu Sales Branch of PetroChina is a branch of PetroChina, which is a company listed on the Shanghai Stock Exchange (stock code: 601857.SH) and the Stock Exchange (stock code: 00857.HK) and primarily engaged in exploration, development, production and sale of crude oil and natural gas. The ultimate beneficial owner of PetroChina is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chengdu Communications”	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 on 16 March 2007, which is the ultimate controlling shareholder of the Company
“Chengdu Energy Development Company”	Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Chengdu Expressway Construction”	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 on 24 June 1997, which is a controlling shareholder of the Company
“Chengdu Sales Branch of PetroChina”	PetroChina Company Limited, Sales Branch in Chengdu, Sichuan, (中國石油天然氣股份有限公司四川成都銷售分公司), a branch of PetroChina
“Chengwenqiong Expressway”	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability on 26 October 1998, which is a wholly-owned subsidiary of the Company

“Company”	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto 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) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Stock Exchange
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“independent shareholders”	the shareholders of the Company other than Chengdu Communications and Chengdu Expressway Construction
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s)
“Listing Date”	15 January 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“natural gas”	compressed natural gas
“NDRC”	National Development and Reform Commission of the PRC
“New General Services Framework Agreement”	the “General Services Framework Agreement” entered into between the Company and Chengdu Communications on 7 August 2020
“New Property Leasing Framework Agreement”	the “Property Leasing Framework Agreement” entered into between the Company and Chengdu Communications on 7 August 2020
“Original General Services Framework Agreement”	the “General Services Framework Agreement” entered into between the Company and Chengdu Communications on 29 June 2017
“Original Property Leasing Framework Agreement”	the “Property Leasing Framework Agreement” entered into between the Company and Chengdu Communications on 29 June 2017

“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong Special Administrative Region of the PRC, Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 28 December 2018
“refined oil”	petrol and diesel oil, for the purpose of this announcement only
“Refined Oil Framework Agreement”	the “Framework Agreement for Connected Transaction of Refined Oil Trading” entered into between Zhongyou Energy and Chengdu Sales Branch of PetroChina on 7 August 2020
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Sichuan Sales Branch of PetroChina”	PetroChina Company Limited, Sales Branch in Sichuan, (中國石油天然氣股份有限公司四川銷售分公司), a branch of PetroChina
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongyou Energy”	Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司), a company incorporated in the PRC with limited liability and a 51%-owned subsidiary of Chengdu Energy Development Company
“%”	per cent

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

Chengdu, the PRC, 7 August 2020

As at the date of this announcement, the Board comprises Mr. Yang Tan, 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.