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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 ASPHALT PROCUREMENT CONTRACT
AND THE TRIPARTITE AGREEMENT

ENTERING INTO OF THE ASPHALT PROCUREMENT CONTRACT AND THE TRIPARTITE AGREEMENT

The Board hereby announces that, Guocheng Group entered into the Asphalt Procurement Contract with Energy Operation on 24 May 2021, pursuant to which, Guocheng Group shall procure asphalt from Energy Operation for the purpose of the Construction Project.

The Board further announces that, on the same day, Energy Operation, Guocheng Group and Tianfu Airport Company entered into the Tripartite Agreement, pursuant to which, each party agrees that, if Guocheng Group fails to settle the payment of asphalt to Energy Operation as scheduled, Chengdu Communications Investment, the owner of the Construction Project, shall be entitled to deduct the corresponding amount from the construction payment due to Guocheng Group and pay such amount directly to Energy Operation.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Chengdu Communications Investment is the controlling Shareholder of the Company and is therefore the connected person of the Company. Energy Operation is an indirect non-wholly-owned subsidiary of the Company. As (i) Guocheng Group entered into the Asphalt Procurement Contract with Energy Operation for the purpose of the Construction Project; and (ii) Energy Operation, Guocheng Group and Tianfu Airport Company entered into the Tripartite Agreement, specifying that Chengdu Communications Investment, as the owner of the Construction Project, shall be entitled to settle the payment of asphalt to Energy Operation on behalf of Guocheng Group subject to the conditions set out therein, Guocheng Group is therefore considered to be a “deemed connected person” of the Company under Rule 14A.20 of the Listing Rules and the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Asphalt Procurement Contract and the Tripartite Agreement exceeds 0.1% but all of such ratios are lower than 5%, the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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I . ASPHALT PROCUREMENT CONTRACT

Principal terms of the Asphalt Procurement Contract are set out below:

Date: 24 May 2021

Parties: (1) Guocheng Group (as the purchaser); and
(2) Energy Operation (as the supplier).

Procurement of asphalt: Guocheng Group shall procure asphalt from Energy Operation for the purpose of the Construction Project and Energy Operation shall supply Guocheng Group asphalt based on its procurement list and its designated asphalt brand.

Price: The unit settlement price at which Energy Operation supplies asphalt to Guocheng Group shall be determined after arm's-length negotiations between both parties with reference to the ex-factory price of asphalt as published at the website of www.baiinfo.com taking into account corresponding transportation expenses and other costs to be borne by Energy Operation, with the specific unit settlement price subject to the price adjustment letter to be affixed by both parties. Based on the quantity required and unit settlement price of asphalt currently estimated for the Construction Project, i.e. 6,500 tons of AH-70# PG64-22 asphalt with an estimated unit settlement price of RMB3,795 (tax inclusive) per ton and 2,500 tons of SBS PG76-22 modified asphalt with an estimated unit settlement price of RMB4,537 (tax inclusive) per ton, the consideration is estimated to be RMB36.01 million. Such payment shall be fully settled in cash by Guocheng Group. Provided that the actual consideration to be received by the Group exceeds the estimated amount contained herein, the Company will publish announcement(s) as and when appropriate and fulfill the relevant requirements under the Listing Rules (as applicable).

Payment method: Payment of asphalt shall be settled on a monthly basis, that is, the 20th day of a given month shall be taken as the closing date with each closing cycle commencing from the 21st day of the previous month to the 20th day of the given month. Guocheng Group shall settle in full the payment of asphalt to Energy Operation incurred in such cycle within 180 calendar days from the closing date.

Default penalty: In case of overdue payment from Guocheng Group, a default penalty payable to Energy Operation shall be accrued based on the total payment of a given closing cycle at a rate three times of the benchmark interest rate of Renminbi-denominated loans of financial institutions announced by the People's Bank of China on 24 October 2015 on each of the overdue days.

II. TRIPARTITE AGREEMENT

Principal terms of the Tripartite Agreement are set out below:

Date: 24 May 2021

Parties:

- (1) Energy Operation;
- (2) Guocheng Group; and
- (3) Tianfu Airport Company.

Principal terms:

- (1) When Guocheng Group fails to settle the payment of asphalt to Energy Operation on time as agreed under the Asphalt Procurement Contract, and Chengdu Communications Investment, the owner of the Construction Project, is obliged to settle the construction payment to Guocheng Group, Energy Operation is entitled to request Tianfu Airport Company to facilitate the application to Chengdu Communications Investment, the owner of the Construction Project, for settlement of payment of asphalt to Energy Operation by Chengdu Communications Investment on behalf of Guocheng Group (in case of default penalties incurred by Guocheng Group, Chengdu Communications Investment shall also settle such default penalties).
- (2) The request to be raised by Energy Operation to Chengdu Communications Investment for payment of asphalt on behalf of Guocheng Group shall not constitute any waiver of payment obligations of Guocheng Group under the Asphalt Procurement Contract. Guocheng Group shall be deemed to fulfil its payment obligations under the Asphalt Procurement Contract only after Chengdu Communications Investment settles the payment of asphalt and default penalties (if any) accrued thereon to Energy Operation on behalf of Guocheng Group.
- (3) If Energy Operation fails to receive any payment made by Chengdu Communications Investment on behalf of Guocheng Group due to reasons on any party or otherwise, Energy Operation shall have the right to continue to claim rights from Guocheng Group at any time according to the Asphalt Procurement Contract.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE ASPHALT PROCUREMENT CONTRACT AND THE TRIPARTITE AGREEMENT

Chengdu Communications Investment is the owner of the Construction Project and Tianfu Airport Company is the construction agent of the Construction Project, which is entrusted by Chengdu Communications Investment to manage the construction, propose funds allocation plan of the Construction Project and inspect the payment to the contractor. Guocheng Group is the contractor of the Construction Project, which is responsible for the construction of the Construction Project. Guocheng Group shall procure asphalt from Energy Operation for the purpose of the Construction Project.

Energy Operation shall supply asphalt to Guocheng Group for the purpose of the Construction Project, which represents an attempt made by Energy Operation to strive for expansion in its business scope and is expected to increase the operating revenue and profit of Energy Operation. In addition, the Tripartite Agreement entered into among Energy Operation, Guocheng Group and Tianfu Airport Company will enhance the payment recovery capacity of Energy Operation under the Asphalt Procurement Contract.

As such, the Directors (including the independent non-executive Directors) are of the view that, the Asphalt Procurement Contract and the Tripartite Agreement are entered into on normal commercial terms in the usual and ordinary business course of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Chengdu Communications Investment is the controlling Shareholder of the Company and is therefore the connected person of the Company. Energy Operation is an indirect non-wholly-owned subsidiary of the Company. As (i) Guocheng Group entered into the Asphalt Procurement Contract with Energy Operation for the purpose of the Construction Project; and (ii) Energy Operation, Guocheng Group and Tianfu Airport Company entered into the Tripartite Agreement, specifying that Chengdu Communications Investment, as the owner of the Construction Project, shall be entitled to settle the payment of asphalt to Energy Operation on behalf of Guocheng Group subject to the conditions set out therein, Guocheng Group is therefore considered to be a “deemed connected person” of the Company under Rule 14A.20 of the Listing Rules and the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Asphalt Procurement Contract and the Tripartite Agreement exceeds 0.1% but all of such ratios are lower than 5%, the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As Mr. Xiao Jun, a non-executive Director, is also a director of Chengdu Communications Investment, he is therefore considered to be materially interested in the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder and has abstained from voting on relevant resolutions at the Board meeting. Save as disclosed above, none of the other Directors have any material interests in the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder and therefore are required to abstain from voting on relevant resolutions at the Board meeting.

V. GENERAL INFORMATION OF THE PARTIES

Guocheng Group

Guocheng Group is a large-scale and comprehensive construction enterprise mainly engaged in infrastructure construction at home and abroad, and its ultimate beneficial owner is Mr. Wang Jiabo (王加波).

Energy Operation

Energy Operation is an indirect non-wholly-owned subsidiary of the Company, which is mainly engaged in operation of petrol stations or gas stations newly secured by Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司) since establishment of Energy Operation and positions for the three functions of “operation of oil and gas, integrated operation of service areas and operation of new energy”. The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province and also carries out retail of refined oil and operation of natural gas.

Tianfu Airport Company

Tianfu Airport Company is an indirect non-wholly-owned subsidiary of Chengdu Communications Investment and is mainly engaged in, among others, land consolidation, demolition engineering construction, building engineering construction, municipal engineering design and construction and real estate development and operation. Chengdu Communications Investment is the controlling Shareholder of the Company and is principally engaged in the investment, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province. Its ultimate beneficial owner is Chengdu Municipal State-owned Assets Supervision and Administration Commission (成都市國有資產監督管理委員會).

VI. DEFINITIONS

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

“Asphalt Procurement Contract”	the Asphalt Procurement Contract entered into between Guocheng Group and Energy Operation on 24 May 2021
“Board”	the board of Directors of the Company
“Chengdu Communications Investment”	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 one of the controlling Shareholders 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 on the Main Board of the Stock Exchange
“Construction Project”	the construction project of SG7 bid section of Jinjianren Expressway (Phase II) (Jintang Avenue to Airport South Line)
“Director(s)”	the director(s) of the Company
“Energy Operation”	Chengdu Communications Investment Energy Operation and Management Co., Ltd. (成都交投能源經營管理有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guocheng Group”	Guocheng Group Co., Ltd. (國誠集團有限公司), a company incorporated in the PRC with limited liability
“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”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianfu Airport Company”	Chengdu Tianfu International Airport Construction Development Co., Ltd. (成都天府國際機場建設開發有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of Chengdu Communications Investment
“Tripartite Agreement”	the Tripartite Agreement entered into among Energy Operation, Guocheng Group and Tianfu Airport Company on 24 May 2021
“%”	per cent

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

Chengdu, the PRC, 24 May 2021

As at the date of this announcement, the Board of the Company comprises Mr. Yang Tan, Ms. Wang Xiao, Mr. Zhang Dongmin 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.