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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)

**CONTINUING CONNECTED TRANSACTION
ENTERING INTO THE MANAGEMENT AGREEMENTS**

The Board is pleased to announce that on 29 August 2022, (i) Chengdu Communications Investment, Energy Operation and Management Company and Huamin Petrol Station entered into the Huamin Management Agreement, pursuant to which Chengdu Communications Investment agreed to entrust the management of overall corporate operation of Huamin Petrol Station (including Shiling Petrol Station established with its capital contribution) to Energy Operation and Management Company, and Energy Operation and Management Company agreed to carry out such entrusted management; and (ii) Chengdu Communications Investment, Energy Operation and Management Company and Xinhua Petrol Station entered into the Xinhua Management Agreement, pursuant to which Chengdu Communications Investment agreed to entrust the management of overall corporate operation of Xinhua Petrol Station to Energy Operation and Management Company, and Energy Operation and Management Company agreed to carry out such entrusted management.

I. HUAMIN MANAGEMENT AGREEMENT

Date	:	29 August 2022
Parties	:	(1) Chengdu Communications Investment; (2) Energy Operation and Management Company; (3) Huamin Petrol Station.
Management term	:	The term of entrusted management of Huamin Petrol Station by Energy Operation and Management Company shall commence on 23 April 2022 and end on 31 December 2024; and the term of entrusted management of Shiling Petrol Station shall commence on 1 October 2022 and end on 31 December 2024. In the event of any change in the shareholding of Huamin Petrol Station prior to the expiry of the management term, the agreement may be terminated earlier through negotiation between the parties.

- Management scope : Energy Operation and Management Company shall be entrusted to manage the overall operation of Huamin Petrol Station (including Shiling Petrol Station established with its capital contribution, hereinafter collectively referred to as the “**Parties under Management**”), which mainly includes the production and operation activities of petrol stations, as well as the management activities including but not limited to safety, environmental protection, occupational health, equipment and facilities, finance and human resources management for production and operation, which include:
- (1) Operational management: Energy Operation and Management Company shall organise production and marketing activities to ensure safe production and achieve sales targets;
 - (2) Human resources management: Energy Operation and Management Company shall be responsible for the recruitment, training, appointment and assessment of the staff of the Parties under Management and their related management activities;
 - (3) Financial management: Energy Operation and Management Company shall be responsible for the financial management of the Parties under Management and shall compile financial information and financial statements in accordance with relevant accounting standards and the financial management needs of Chengdu Communications Investment, assist the Parties under Management in their tax affairs and be subject to the supervision and management of Chengdu Communications Investment; and
 - (4) Safety management: Energy Operation and Management Company shall be responsible for the safety management of the Parties under Management, ensure safe production and assume all safety responsibilities in relation to the Parties under Management, and be subject to the supervision and management of Chengdu Communications Investment.

- Management method : Within the scope of entrusted management, Energy Operation and Management Company shall, in accordance with the laws and regulations and the industry management regulations of the government, independently formulate the operation policies and management processes, apply advanced management concepts and management methods, and strive to enhance the operating strength of the Parties under Management.
- Management fee and payment method : Energy Operation and Management Company shall charge each of Huamin Petrol Station and Shiling Petrol Station an annual management fee of 6% of their respective annual operating revenue. This is determined after arm's length negotiations between the parties based on Energy Operation and Management Company's experience in operation and management of petrol stations, and with reference to the historical management fees, if any, of the Petrol Stations and an estimation of the management costs and fees to be incurred and the expected profit.
- The monthly management fee shall be calculated based on the operating revenue as stated in the monthly financial statements of each of Huamin Petrol Station and Shiling Petrol Station, and the management fee for a particular month shall be paid by each of Huamin Petrol Station and Shiling Petrol Station to Energy Operation and Management Company by the 10th day of the following month; upon completion of the annual audit of each of Huamin Petrol Station and Shiling Petrol Station, the annual management fee receivable by Energy Operation and Management Company shall be adjusted based on the annual operating revenue as stated in the audited financial statements. If the management period is less than one month, the management fee will be charged on a full month basis.
- Validity : The agreement shall become effective on the date of being signed and sealed by the authorized representative of the parties.

II. XINHUA MANAGEMENT AGREEMENT

Save and except for (i) the counterparties being changed from Chengdu Communications Investment and Huamin Petrol Station to Chengdu Communications Investment and Xinhua Petrol Station (being the party under management); and (ii) the term of entrusted management commencing on 23 April 2022 and ending on 31 December 2024, other terms of the Xinhua Management Agreement are the same as those set out in the Huamin Management Agreement.

Annual Caps

Energy Operation and Management Company has commenced the entrusted management of Huamin Petrol Station and Xinhua Petrol Station with effect from 23 April 2022 and the total management fees incurred up to the date of this announcement amounted to approximately RMB2.2 million. As mentioned above, it is expected that Energy Operation and Management Company will commence the entrusted management of Shiling Petrol Station with effect from 1 October 2022.

The annual caps for the continuing connected transactions contemplated under the Huamin Management Agreement and the Xinhua Management Agreement for each of the three years ending 31 December 2024 are as follows:

	For the year ending 31 December 2022 (RMB million)	For the year ending 31 December 2023 (RMB million)	For the year ending 31 December 2024 (RMB million)
Management fee receivable by Energy Operation and Management Company for Huamin Petrol Station and Shiling Petrol Station	2.5	7.0	7.7
Management fee receivable by Energy Operation and Management Company for Xinhua Petrol Station	2.2	3.2	3.5

Basis of Determining the Annual Caps

In determining the annual caps, the Group has mainly considered the following factors:

- (i) (a) the future operating revenue to be generated from the Petrol Stations under the operation and management of Energy Operation and Management Company estimated based on Energy Operation and Management Company's experience in management of petrol stations, and (b) the rate of management fee (i.e. 6% of the annual operating revenue); and
- (ii) an appropriate buffer for each period on top of the aforesaid estimated management fee to accommodate the business needs from time to time.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MANAGEMENT AGREEMENTS

- (i) The entrusted management of the Petrol Stations will give full play to the management advantages of Energy Operation and Management Company and expand its business scale, thereby further increasing Energy Operation and Management Company's operating revenue and operating profit, and will also be conducive to strengthening the brand building of Energy Operation and Management Company's operation and management business.

- (ii) As stated in the announcement of the Company dated 22 April 2022, the Company shall at all times be entitled to exercise the rights (such as the acquisition option) under the Non-competition Agreement entered into between the Company and Chengdu Communications Investment following the completion of relevant registration of change in capital contributor of the Petrol Stations and Chengdu Chengke Huanghua Petrol Station by Chengdu Communications Investment with the market administration and regulation authorities and settlement of relevant issues relating to the property ownership and labor and personnel of the Petrol Stations and Chengdu Chengke Huanghua Petrol Station. Based on the information currently available to the Company and taking into account the approval procedures required for the acquisition, as the time required to resolve the unsettled issues is longer than expected, the Company currently expects that the acquisition of the Petrol Stations could be completed on or before 31 December 2024. Prior to completion of the acquisition, entering into the Management Agreements can ensure that the Group will be responsible for the operation and management of the Petrol Stations as far as practicable (the operation of Chengdu Chengke Huanghua Petrol Station has been entrusted to an independent third party for management prior to its transfer to Chengdu Communications Investment and is currently still under the management of such independent third party. If Energy Operation and Management Company subsequently carries out entrusted management of Chengdu Chengke Huanghua Petrol Station, the Company will comply with relevant requirements on connected transaction). If the Company fails to complete the aforesaid acquisition as scheduled and Energy Operation and Management Company continues to carry out entrusted management of the Petrol Stations by then, the Company will fulfill the approval and disclosure obligations as required under the Listing Rules in a timely manner to comply with relevant requirements under Chapter 14A of the Listing Rules. Reference is made to the announcement of the Company dated 28 April 2022 (the "**Announcement**") in relation to sales of refined oil to the Petrol Stations by Energy Operation and Management Company (the "**Sales of Refined Oil**"). The terms of refined oil purchase and sale contracts in relation to the Sales of Refined Oil will expire on 31 August 2023. If Energy Operation and Management Company continues to sell refined oil to the Petrol Stations after expiry of such terms, the Company will announce the renewal arrangements for the Sales of Refined Oil in a timely manner and fulfill the approval and disclosure obligations as required under the Listing Rules in a timely manner to comply with relevant requirements under Chapter 14A of the Listing Rules.

As such, the Directors (including the independent non-executive Directors) consider that the terms of the Management Agreements and the transactions contemplated thereunder are entered into by the Group in the ordinary and usual course of business and on normal commercial terms, are fair and reasonable and are in the interests of the Company and the shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has a comprehensive internal control system in place to ensure that the continuing connected transactions under the Management Agreements are fair and reasonable and are conducted in the ordinary course of business of the Company in accordance with relevant transaction agreements and on normal commercial terms or better, and in the interests of the Company and its shareholders as a whole. The relevant internal control measures include the following:

1. The Company has completed the approval procedures for the Management Agreements in accordance with the connected transaction management rules and the relevant internal control system;
2. The Company's audit and supervision department will regularly monitor the continuing connected transactions to ensure that the prices of the services are fair and reasonable and are executed in accordance with the pricing standards agreed in the Management Agreements, and will report to the Board on a regular basis;
3. The Company's audit and supervision department, together with the finance management department, will regularly review the use of services and the actual transaction amounts incurred to ensure that such amounts will not exceed relevant annual caps;
4. The Company's management team will regularly organize and conduct internal control inspection to assess the completeness and effectiveness of internal control measures related to continuing connected transactions;
5. The audit and risk management committee under the Board will review the annual financial statements and express an opinion on the continuing connected transactions for the year, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within relevant annual caps;
6. The Board will review the implementation of the Management Agreements on an annual basis and review the financial statements on a half-yearly basis. The review mainly covers whether the Company and the connected persons have fulfilled the terms of the said agreements in the relevant years and whether the actual transaction amounts incurred between the Company and the connected persons are within the annual caps;
7. The independent non-executive Directors will review the continuing connected transactions on an annual basis and provide annual confirmation in the Company's annual report as to whether the continuing connected transactions are (a) conducted in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole;
8. In order to assist the Company in complying with the applicable rules as set out in Chapter 14A of the Listing Rules, the Company's auditor will perform relevant work in each year to confirm and issue a letter as to whether the transactions have been approved by the Board, whether the transactions have been conducted in accordance with relevant transaction agreements in material respects and whether the caps have been exceeded.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Chengdu Communications Investment is one of the controlling shareholders of the Company, and the Petrol Stations are controlled by Chengdu Communications Investment, therefore Chengdu Communications Investment and the Petrol Stations are connected persons of the Company. Energy Operation and Management Company is an indirect subsidiary of the Company, and the transactions contemplated under the Management Agreements therefore constitute continuing 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) of the transactions contemplated under the Management Agreements calculated on an aggregated basis exceeds 0.1% but all of such applicable percentage ratios are lower than 5%, the Management Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement.

As Mr. Xiao Jun, a non-executive Director, is also a director of Chengdu Communications Investment, he is therefore considered to have material interests in entering into the Management Agreements 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 entering into the Management Agreements and the transactions contemplated thereunder and therefore are required to abstain from voting on relevant resolutions at the Board meeting.

GENERAL INFORMATION OF THE PARTIES

Chengdu Communications Investment

Chengdu Communications Investment is a company incorporated in the PRC with limited liability, and is principally engaged in the investment, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province. Chengdu Communications Investment is the ultimate controlling shareholder of the Company, and 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).

Energy Operation and Management Company and the Group

Energy Operation and Management Company is an indirect non-wholly-owned subsidiary of the Company, which is mainly engaged in the operation of new petrol stations or gas stations of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司) after establishment of Energy Operation and Management Company and positions itself for three major businesses, i.e. oil and gas operation, comprehensive operation of service areas and operation of new energy business. The Group is primarily engaged in operation, management and development of expressways in and around Chengdu, Sichuan Province, and also carries out sales of refined oil and natural gas.

Xinhua Petrol Station

Xinhua Petrol Station is a wholly people-owned enterprise (全民所有制企業) incorporated in the PRC, which is currently controlled by Chengdu Communications Investment and is mainly engaged in the retail of refined oil (limited to hazardous chemicals), retail of tobacco products, food business (sales of prepackaged foods), repair and maintenance of motor vehicles, car washing services, etc.

Huamin Petrol Station

Huamin Petrol Station is a collective-owned enterprise (集體所有制企業) incorporated in the PRC, which is currently controlled by Chengdu Communications Investment and is mainly engaged in the operation of refined oil (retail of petrol and diesel oil), vehicle cleaning services and automobile beauty services. Huamin Petrol Station established and wholly owned Shiling Petrol Station, which is mainly engaged in the retail of refined oil (limited to hazardous chemicals), sales of health food, food business (only selling prepackaged foods), car washing services, etc.

DEFINITIONS

“Board”	the board of Directors
“Chengdu Chengke Huanghua Petrol Station”	Chengdu Chengke Huanghua Petrol Station (成都成科皇花加油站), an enterprise incorporated in the PRC
“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 and traded on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Energy Operation and Management Company”	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
“Huamin Management Agreement”	the management agreement entered into among Energy Operation and Management Company, Chengdu Communications Investment and Huamin Petrol Station on 29 August 2022

“Huamin Petrol Station”	Chengdu Huamin Municipal Petrol Station (成都市華民市政加油站), an enterprise incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Agreements”	Huamin Management Agreement and Xinhua Management Agreement
“Petrol Stations”	Xinhua Petrol Station, Huamin Petrol Station and Shiling Petrol Station
“RMB”	Renminbi, the lawful currency of the PRC
“Shiling Petrol Station”	Chengdu Municipal Shiling Petrol Station (成都市市政十陵加油站), an enterprise incorporated in the PRC which is established and wholly-owned by Huamin Petrol Station
“Xinhua Management Agreement”	the management agreement entered into among Energy Operation and Management Company, Chengdu Communications Investment and Xinhua Petrol Station on 29 August 2022
“Xinhua Petrol Station”	Chengdu Xinhua Petrol Station (成都市新華加油站), an enterprise incorporated in the PRC
“%”	per cent

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

Chengdu, the PRC, 29 August 2022

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.