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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
CAPITAL INCREASE IN HUITONG FINANCIAL LEASING

On 21 June 2022, the Company entered into the Capital Increase Agreement with Chengdu Communications Investment, the Former Shareholders and Huitong Financial Leasing, pursuant to which, the Company agreed to contribute RMB70 million in cash to Huitong Financial Leasing and Chengdu Communications Investment agreed to contribute RMB805 million in cash to Huitong Financial Leasing. Upon completion of the Capital Increase, the Company and Chengdu Communications Investment will own 1.6% and 18.4% equity interest in Huitong Financial Leasing respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Communications Investment is the controlling shareholder of the Company and upon completion of the Capital Increase, Chengdu Communications Investment will become a substantial shareholder of Huitong Financial Leasing. Therefore, according to Rule 14A.28 of the Listing Rules, the Capital Increase Agreement and the Capital Increase 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) of the Capital Increase Agreement and the Capital Increase contemplated thereunder exceeds 0.1% but all of such applicable percentage ratios are lower than 5%, the Capital Increase Agreement and the Capital Increase 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.

I. CAPITAL INCREASE

On 21 June 2022, the Company entered into the Capital Increase Agreement with Chengdu Communications Investment, the Former Shareholders and Huitong Financial Leasing, pursuant to which, the Company agreed to contribute RMB70 million in cash to Huitong Financial Leasing and Chengdu Communications Investment agreed to contribute RMB805 million in cash to Huitong Financial Leasing.

The increase in registered capital and the adjustment of shareholding structure of Huitong Financial Leasing are subject to approval by the Shandong Supervision Bureau of the CBIRC, and if the shareholder qualification of the Capital Increase Parties is not approved, the Capital Increase shall be terminated. Upon obtaining regulatory approval for the Capital Increase and the issuance of the title trading certificate by Shandong Title Trading Centre, the entire capital contribution shall be transferred to the capital verification account of Huitong Financial Leasing within 3 working days upon application by Huitong Financial Leasing. Upon completion of the Capital Increase, the Company and Chengdu Communications Investment will own 1.6% and 18.4% equity interest in Huitong Financial Leasing respectively.

The principal terms of the Capital Increase Agreement are as follows:

Date	:	21 June 2022
Parties	:	(1) Chengdu Communications Investment; (2) the Company; (3) the Former Shareholders; and (4) Huitong Financial Leasing.
Amount of Capital Increase	:	The Company will contribute RMB70 million in cash to Huitong Financial Leasing (of which RMB40 million will be credited to the registered capital of Huitong Financial Leasing and RMB30 million will be credited to the capital reserve of Huitong Financial Leasing); Chengdu Communications Investment will contribute RMB805 million in cash to Huitong Financial Leasing (of which RMB460 million will be credited to the registered capital of Huitong Financial Leasing and RMB345 million will be credited to the capital reserve of Huitong Financial Leasing). The amounts of such capital contribution were determined with reference to the value of the total shareholders' equity of Huitong Financial Leasing of RMB3,525 million as at the valuation date (30 September 2021) assessed under the income approach.

The Company's capital contribution will be financed by the Company's own funds.

Upon completion of the Capital Increase, the Company and Chengdu Communications Investment will own 1.6% and 18.4% of Huitong Financial Leasing respectively.

Payment method of capital contribution	:	Within 5 working days after the signing of the Capital Increase Agreement, the Company and Chengdu Communications Investment shall remit their respective capital contribution in cash to the special settlement account of Shandong Title Trading Centre in one lump sum; the tender deposit of RMB87.5 million, which was independently borne and paid by Chengdu Communications Investment, can be converted into an equal amount of the capital increase payable by Chengdu Communications Investment in accordance with the Capital Increase Agreement.
Closing	:	The Company and Chengdu Communications Investment shall enjoy the rights of shareholders corresponding to the paid-in capital with effect from the date of payment of the capital contribution to the account of Huitong Financial Leasing.
Registration	:	Huitong Financial Leasing shall apply to the industrial and commercial registration authority for registration of changes within thirty (30) business days after receipt of the payment from the Capital Increase Parties in accordance with the agreement and upon approval by the Shandong Supervision Bureau of the CBIRC of the eligibility of the Capital Increase Parties, the adjustment of the shareholding structure, the change of articles of association and the qualification of directors of Huitong Financial Leasing.
Other matters	:	The Capital Increase Parties undertake that: (i) within five years after the completion of the Capital Increase, they shall not transfer all or part of the equity interests obtained through the Capital Increase (except for those transfers ordered by the CBIRC in accordance with relevant laws) and shall not pledge or create a trust in respect of the equity interests obtained through the Capital Increase; (ii) if the shareholder qualification of the Capital Increase Parties is not approved by the Shandong Supervision Bureau of the CBIRC, the Capital Increase shall be terminated and Huitong Financial Leasing shall not be liable for any breach of contract.
Liability for breach of contract	:	If a party breaches the contract, the breaching party shall pay the complying parties 10% of the total amount of the Capital Increase as liquidated damages and shall be liable for any loss caused.

II. GENERAL INFORMATION OF THE PARTIES

The Company

The Company is primarily engaged in operating, managing and developing Chengguan Expressway. The Group is primarily engaged in operating, managing and developing expressways in Chengdu, Sichuan Province and its surrounding areas, and also carries out retail of refined oil and operation of natural gas.

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).

Huitong Financial Leasing

Huitong Financial Leasing is a company incorporated in the PRC with limited liability, and is principally engaged in the finance leasing business, transfer and acceptance of finance leasing assets, investment in fixed income securities and acceptance of leasing deposits from lessees, etc.. As at the date of this announcement and immediately preceding the Capital Increase, the shareholding structure of Huitong Financial Leasing is as follows:

Name of shareholder	Shareholding percentage
Inspur Group Co., Ltd. (浪潮集團有限公司)	50%
Shandong Airport Management Group Co., Ltd. (山東省機場管理集團有限公司)	25%
Shandong Publishing Group Co., Ltd. (山東出版集團有限公司)	25%

The shareholding structure of Huitong Financial Leasing immediately after the Capital Increase is as follows:

Name of shareholder	Shareholding percentage
Inspur Group Co., Ltd. (浪潮集團有限公司)	40%
Shandong Airport Management Group Co., Ltd. (山東省機場管理集團有限公司)	20%
Shandong Publishing Group Co., Ltd. (山東出版集團有限公司)	20%
Chengdu Communications Investment	18.4%
The Company	1.6%

Inspur Group Co., Ltd.

Inspur Group Co., Ltd. is a company incorporated in the PRC with limited liability, and is principally engaged in the development, production and sale of commercial cryptographic products, as well as the production and sale of computers and softwares, electronic and telecommunications equipments (excluding radio transmitting equipment). Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會).

Shandong Airport Management Group Co., Ltd.

Shandong Airport Management Group Co., Ltd. is a company incorporated in the PRC with limited liability, and is principally engaged in airport construction and renovation, airport operation and management, passenger and cargo transportation agency, ticketing and passenger services. Its largest shareholder is the State-owned Assets Supervision and Administration Commission of the Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會), which directly and indirectly holds 24.47% equity interest in Shandong Airport Management Group Co., Ltd. in aggregate.

Shandong Publishing Group Co., Ltd.

Shandong Publishing Group Co., Ltd. is a company incorporated in the PRC with limited liability, and is principally engaged in the operation and management of state-owned assets, investment business, physical leasing and property management, etc., of its group companies and investees. Its ultimate beneficial owner is the Shandong Provincial Department of Finance (山東省財政廳).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, except for Chengdu Communications Investment, each of the parties and their respective ultimate beneficial owners is a third party independent of the Company and the connected persons of the Company.

III. FINANCIAL INFORMATION OF HUITONG FINANCIAL LEASING

Based on the consolidated financial statements of Huitong Financial Leasing prepared in accordance with China Accounting Standards for Business Enterprises, the audited total assets and net assets of Huitong Financial Leasing as at 31 December 2021 were approximately RMB25,829 million and RMB3,192 million respectively. The audited net profits of Huitong Financial Leasing for the two years ended 31 December 2021 are as follows:

	For the year ended 31 December 2021 <i>(RMB million)</i>	For the year ended 31 December 2020 <i>(RMB million)</i>
Net profits (before tax)	617.82	561.37
Net profits (after tax)	463.02	420.17

IV. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

Firstly, from 2018 to 2020, the operating conditions of Huitong Financial Leasing continued to improve and maintain a strong growth trend, and therefore the investment in Huitong Financial Leasing is expected to bring stable returns to the Company. Secondly, financial leasing companies are non-bank financial institutions that are approved and regulated by the CBIRC and are mainly engaged in financing and leasing business, and are mostly owned or held by state-owned banks, joint-stock banks, urban commercial banks and agricultural and commercial banks. However, Huitong Financial Leasing is one of the 23 financial leasing companies that are not controlled or held by banking institutions, and its business licence is quite scarce. Thirdly, Huitong Financial Leasing was established in December 2015 by Inspur Group Co., Ltd. as the main promoter, together with Shandong Airport Management Group Co., Ltd. and Shandong Publishing Group Co., Ltd., and is the only financial leasing company with the background of an information technology provider in China, which has distinctive characteristics in terms of business structure and industry layout and a mature business model. The company's management team also has extensive experience in financial management and business development and business resources. Fourthly, expressway investment, being a capital-intensive business, will have an increasing demand for capital in the process of expanding the asset size through new construction and reconstruction and expansion of expressways. The Capital Increase will strengthen the business collaboration with Huitong Financial Leasing, diversify the Company's financing channels and meet certain capital requirements for development of the Company.

In view of the above benefits, the Company formed a consortium with Chengdu Communications Investment to bid for the capital increase and share expansion project of Huitong Financial Leasing and won the bid.

Accordingly, the Directors (including the independent non-executive Directors) considered that the Capital Increase Agreement is entered into on normal commercial terms and, although the Capital Increase contemplated thereunder is not conducted in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Communications Investment is the controlling shareholder of the Company and therefore a connected person of the Company; upon completion of the Capital Increase, Chengdu Communications Investment will become a substantial shareholder of Huitong Financial Leasing. Therefore, according to Rule 14A.28 of the Listing Rules, the Capital Increase Agreement and the Capital Increase 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) of the Capital Increase Agreement and the Capital Increase contemplated thereunder exceeds 0.1% but all of such applicable percentage ratios are lower than 5%, the Capital Increase Agreement and the Capital Increase 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 the Capital Increase Agreement and the Capital Increase 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 Capital Increase Agreement and the Capital Increase contemplated thereunder and therefore are required to abstain from voting on relevant resolutions at the Board meeting.

VI. DEFINITIONS

“Board”	the board of Directors of the Company
“Capital Increase”	the capital increase in Huitong Financial Leasing by the Company and Chengdu Communications Investment pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement and relevant supplemental agreement dated 21 June 2022 entered into between the Company and Chengdu Communications Investment, the Former Shareholders and Huitong Financial Leasing
“Capital Increase Parties”	the Company and Chengdu Communications Investment
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Chengdu Communications Investment”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a limited liability company incorporated under the laws of the PRC

“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
“Former Shareholders”	the shareholders of Huitong Financial Leasing immediately prior to the completion of the Capital Increase, namely Shandong Publishing Group Co., Ltd., Inspur Group Co., Ltd. and Shandong Airport Management Group Co., Ltd.
“Group”	the Company and its subsidiaries
“Huitong Financial Leasing”	Shandong Huitong Financial Leasing Co., Ltd. (山東匯通金融租賃有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Chengdu, the PRC, 21 June 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.