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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 TRANSACTIONS

(1) ENTERING INTO THE CANGXI-BAZHONG EXPRESSWAY ENTRUSTED OPERATION BUSINESS CONTRACT; AND

(2) ENTERING INTO THE CANGXI-BAZHONG EXPRESSWAY LABOUR SERVICE AND PROPERTY MANAGEMENT CONTRACT

The Board hereby announces that on 28 December 2023, (i) Operation Company and Chengmian Cangba entered into the Entrusted Operation Business Contract, pursuant to which Operation Company will provide operation and management services for the Cangxi-Bazhong Expressway constructed by Chengmian Cangba for a term of two years commencing from 28 December 2023 and ending on 27 December 2025. The term may be renewed by mutual consent after passing the assessment of Chengmian Cangba, where total renewal term shall not exceed 8 years; and (ii) Operation Company entered into the Labour Service and Property Management Contract with Expressway Property, pursuant to which Operation Company entrusted Expressway Property to provide labour services and property services in respect of the Cangxi-Bazhong Expressway constructed by Chengmian Cangba for a term of one year from 28 December 2023 to 27 December 2024, which may be renewed for one year upon mutual consent after passing the assessment of Operation Company.

Operation Company is a wholly-owned subsidiary of the Company. Chengdu Airport Expressway Company is a material subsidiary of the Company and is owned as to 25% by Sichuan Expressway, therefore Sichuan Expressway is a connected person of a material subsidiary of the Company. Shudao Group is the holding company of Sichuan Expressway and Shudao Group indirectly holds 40% equity interests in Chengmian Cangba (i.e. Chengmian Cangba is a 30%-controlled company (as defined under the Listing Rules) indirectly held by Shudao Group), and therefore Chengmian Cangba is an associate of Sichuan Expressway. In addition, Expressway Property is an indirectly owned subsidiary of Shudao Group and also an associate of Sichuan Expressway. Accordingly, Chengmian Cangba and Expressway Property are connected persons at the subsidiary level of the Company under the Listing Rules and the transactions under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract constitute continuing connected transactions of the Company. As the highest applicable percentage ratios of the annual caps of the transactions under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract exceed 1% but are less than 5%, the transactions contemplated under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the circular and independent shareholders' approval requirements.

I. ENTERING INTO THE ENTRUSTED OPERATION BUSINESS CONTRACT

The Board hereby announces that on 28 December 2023, Operation Company and Chengmian Cangba entered into the Entrusted Operation Business Contract, pursuant to which Operation Company will provide operation and management services for the Cangxi-Bazhong Expressway constructed by Chengmian Cangba for a term of two years commencing from 28 December 2023 and ending on 27 December 2025. The term may be renewed by mutual consent after passing the assessment of Chengmian Cangba for a total renewal term of not exceeding 8 years.

The principal terms of the Entrusted Operation Business Contract are set out below:

Date : 28 December 2023

Parties : (i) Operation Company (as the trustee);
(ii) Chengmian Cangba (as the principal)

Term : Two years commencing from 28 December 2023 and ending on 27 December 2025.

During the contract period, Chengmian Cangba will perform evaluations on Operation Company. Upon expiration of the contract period, the contract may be renewed by mutual consent, where total renewal term shall not exceed 8 years.

Scope of services : The operation and management services provided by Operation Company for the Cangxi-Bazhong Expressway primarily include, but are not limited to:

- (i) Vehicle toll collection management, mainly including ticket and card management, toll income clearing and settlement, toll auditing, toll cash management and deposit;
- (ii) Utilization and maintenance management of electrical and mechanical facilities, mainly including intelligent expressway system, monitoring system, tolling system and communication system;
- (iii) Road patrol management, mainly including maintenance of road assets and rights, handling of traffic accidents, and clearance and rescue services;

- (iv) Monitoring service management, mainly including information announcement, reporting and coordination work, telephone reception of consultation, complaints and seeking of assistance, real-time industry connection, and coordination of cross-section emergencies;
- (v) Service area management, mainly including security, cleaning, regular repair and maintenance, garbage removal and transportation and other property services;
- (vi) Maintenance management, mainly including maintenance works, regular cleaning and cleansing of expressway and special tests; and
- (vii) Safety and emergency response management, mainly including the construction of safety management system, emergency drills and handling of emergencies.

Service fees and payment method : The service fees to be charged by Operation Company to Chengmian Cangba for provision of operation and management services shall be RMB79,271,900 (inclusive of tax) and RMB81,335,500 (inclusive of tax) for the first year and the second year, respectively. Such fees include all costs incurred by Operation Company for the operation and management work within the scope of the Entrusted Operation Business Contract. All costs incurred in the course of operation and management shall be borne by Operation Company, except for the costs to be borne by Chengmian Cangba under the Entrusted Operation Business Contract. During the contract period, except that if some expressway sections are not opened at the same time, the service fees will be negotiated by both parties to determine the payment ratio, the service fees shall not be adjusted. The contract may be renewed by mutual consent based on the assessment results. The principle of price adjustment is as follows: the service fees shall be adjusted by both parties once every two years, and the specific percentage of adjustment shall be separately negotiated by both parties when signing the supplemental agreement.

The fees will be paid on a monthly basis. Chengmian Cangba will pay the fees within 15 days upon receipt of the invoices provided by Operation Company and completion of relevant procedures, with the payment amount being 80% of the amount payable for the month, and the remaining portion of the fees will be paid in whole or in part to Operation Company at the time of measurement in the first month of the following quarter after completion of the quarterly assessment, based on the results of assessment of Operation Company by Chengmian Cangba.

Insurance : Operation Company shall cooperate with Chengmian Cangba to take out property all risks insurance, public liability insurance and operation insurance for the traffic safety facilities, electrical and mechanical facilities and other facilities of the Cangxi-Bazhong Expressway. The coverage amount of property all risks insurance shall be determined on the basis of the original carrying value of the fixed assets.

Operation Company shall be solely responsible for the payment of personal accident insurance, social insurance and housing provident fund in respect of all personnel employed for carrying out the operation and management works under the Entrusted Operation Business Contract.

Compensation and termination terms : If any of the circumstances set out in the Entrusted Operation Business Contract occurs for reasons attributable to Operation Company (including (i) the occurrence of safety production accidents of a greater severity or above for reasons of operation and management; (ii) the occurrence of traffic congestion and sub-standard services for reasons of operation and management, which leads to serious negative impact on the society or is subject to circular condemnation at the provincial and ministerial levels or above; (iii) failure to reach the rating standard in the assessment of safety and service quality of expressways in Sichuan Province; and (iv) failure of Operation Company to meet the evaluation criteria of Chengmian Cangba), causing economic and reputational losses to Chengmian Cangba, Operation Company shall compensate Chengmian Cangba for the economic loss and Chengmian Cangba shall be entitled to terminate the Entrusted Operation Business Contract.

Basis of Determining the Service Fees

The amount of service fees shall be determined after arm's length negotiations between the parties with reference to (i) the scope of operation and management of the Cangxi-Bazhong Expressway to be undertaken by Operation Company in the future and the work content; (ii) the estimated costs (including labour and property management service fees, staff costs, costs of routine civil maintenance works, testing fees and vehicle usage fees) that may be incurred in the course of operation and management of the Cangxi-Bazhong Expressway by Operation Company; and (iii) the prices charged by third parties for providing the same or similar operation and management services.

Historical Transaction and Proposed Annual Caps

The Group does not have any historical transaction amount with Chengmian Cangba in relation to the provision of expressway related operation and management services. The Directors propose the annual caps for the continuing connected transactions contemplated under the Entrusted Operation Business Contract for the two years ending 31 December 2025 as follows:

	For the year ending 31 December 2024 (RMB million)	For the year ending 31 December 2025 (RMB million)
Service fees payable by Chengmian Cangba to the Group	79.3	81.4

In estimating the annual caps above, the Company primarily considered the amount of service fees under the Entrusted Operation Business Contract.

Reasons for and benefits of entering into the Entrusted Operation Business Contract

The Group has accumulated relatively mature experience in the operation and management businesses of expressways, including toll collection, maintenance and asset management, etc. The entering into of the Entrusted Operation Business Contract with Chengmian Cangba will increase the number of expressway projects under the Group's management, which will be conducive to the Group's expansion of its expressway operation and management business and deepening of its management experience, and at the same time, it will further export the brand name of "Chengdu Expressway", optimize and strengthen its main business and increase the sources of income and profit.

II. ENTERING INTO THE LABOUR SERVICE AND PROPERTY MANAGEMENT CONTRACT

The Board also announces that on 28 December 2023, Operation Company entered into the Labour Service and Property Management Contract with Expressway Property, pursuant to which Operation Company entrusted Expressway Property to provide labour services and property services in respect of the Cangxi-Bazhong Expressway constructed by Chengmian Cangba for a term of one year from 28 December 2023 to 27 December 2024, which may be renewed for one year upon mutual consent after passing the assessment of Operation Company.

The principal terms of the Labour Service and Property Management Contract are set out below:

Date : 28 December 2023

Parties : (i) Expressway Property (as the trustee);
(ii) Operation Company (as the principal)

Term : From 28 December 2023 to 27 December 2024 for a period of one year.

During the contract period, Operation Company will conduct an assessment on Expressway Property. Upon expiry of the contract period, the contract may be renewed for one year by mutual consent after passing the assessment of Operation Company.

Scope of services : The services provided by Expressway Property in relation to the Cangxi-Bazhong Expressway mainly include:

(i) Labour services: Provide various types of personnel such as toll collectors, road patrolmen, supervisors, electrical and mechanical maintenance personnel, service area supervisors, canteen personnel and specialised operation vehicle drivers, etc., and ensure that they obey the work arrangements of Operation Company, carry out relevant work in accordance with the standards of work required by Operation Company and the norms and standards formulated by the industry authorities and superior units, and strictly comply with the relevant provisions of the laws and regulations; and

(ii) Property services: Mainly include environmental maintenance services (i.e. daily environmental maintenance of public areas such as management sub-center office buildings and comprehensive buildings, daily environmental maintenance of toll station areas and environmental maintenance of public areas in the service areas) and order maintenance services (i.e. security precautions in office and living areas, 24-hour security order and patrol inspections of the service areas, maintenance and diversion of traffic order of vehicles in plazas and public order security, etc.).

Service fees and payment : The service fees charged by Expressway Property to Operation method : Company for the provision of labour services and property services is RMB27,488,822 (inclusive of tax). The service fees shall not be subject to adjustment during the contract period. The contract may be renewed subject to mutual consent based on the assessment.

Fees shall be paid on a monthly metered basis. By the 25th day of each month, Expressway Property shall provide Operation Company with a monthly settlement list and a legal equivalent invoice which has been audited by Operation Company. Operation Company shall pay the service fees to Expressway Property based on the results of the service quality assessment for that month within 20 days after receipt of the mutually confirmed settlement list and legal equivalent invoice provided by Expressway Property.

Insurance : Expressway Property is required to insure third-party liability insurance with an aggregate compensation amount of not less than RMB5,000,000 with unlimited number of occurrences (excluding deductibles) in respect of the implementation of labour services and property services under the Labour Service and Property Management Contract and to pay premium for work-related injury insurance (or employer's liability insurance) for the service personnel of the project as well as to pay the minimum amount of personal accidental injury insurance with a minimum insurance amount of not less than RMB1,500,000 per person.

In the event that the insurance premiums are insufficient to cover the compensation, Expressway Property shall solely bear the responsibility. All insurance premiums procured by Expressway Property for this project are included in the aforementioned service fees and shall not be paid separately by Operation Company.

Performance Bond : Expressway Property shall submit a one-off performance bond of RMB2,744,882.2 to Operation Company upon receipt of the notification of tender award and prior to the entering into of the Labour Service and Property Management Contract. In the event of any breach of contract by Expressway Property, after the deduction of the corresponding fees from the performance bond by Operation Company, Expressway Property shall replenish the performance bond to Operation Company within 5 days from the date of deduction.

The performance bond shall be refunded to Expressway Property within 28 days after the expiry of the Labour Service and Property Management Contract.

Basis of Determining the Service Fees

The Company identified Expressway Property as the trustee under the Labour Service and Property Management Contract through public tender process. The tender price quoted by Expressway Property was the service fee under the Labour Service and Property Management Contract, which was slightly lower than the tender control price. The tender control price is determined by the Company prior to the tender after taking into account the labour and property management costs incurred by the Company for the provision of the operation and management services under the Entrusted Operation Business Contract with reference to (i) the scope of operation and management services to be provided by the Company under the Entrusted Operation Business Contract; (ii) the number of employees required for the management personnel, labour services and property management services as well as the estimated market wages and benefits, etc., of such personnel; and (iii) the prices charged by third parties for the provision of the same or similar services.

Historical Transaction and Proposed Annual Caps

The Group does not have any historical transaction amount with Expressway Property in relation to the provision of expressway related labour and property management services. The Directors propose the annual caps for the continuing connected transactions contemplated under the Labour Service and Property Management Contract for the two years ending 31 December 2025 are as follows:

	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>
Service fees payable by the Group to Expressway Property	27.50	27.50

In estimating the annual caps above, the Company primarily considers the amount of service fees under the Labour Service and Property Management Contract and assumes that the Labour Service and Property Management Contract will be renewed for one year according to the same current terms and the same amount of service fees after expiration.

Reasons for and benefits of entering into the Labour Service and Property Management Contract

In view of the Group's undertaking of the operation and management services of the Cangxi-Bazhong Expressway, in order to more effectively reduce the project labour costs and enhance project efficiency, the Group adopted the labour outsourcing approach for the aforementioned operation and management services and confirmed the service providers through a public tender process, so as to ensure that the service fees are fair and reasonable and no less favourable than the prices offered by third parties under the same conditions.

LISTING RULES IMPLICATIONS

Operation Company is a wholly-owned subsidiary of the Company. Chengdu Airport Expressway Company is a material subsidiary of the Company and is owned as to 25% by Sichuan Expressway, therefore Sichuan Expressway is a connected person of a material subsidiary of the Company. Shudao Group is the holding company of Sichuan Expressway and Shudao Group indirectly holds 40% equity interests in Chengmian Cangba (i.e. Chengmian Cangba is a 30%-controlled company (as defined under the Listing Rules) indirectly held by Shudao Group), and therefore Chengmian Cangba is an associate of Sichuan Expressway. In addition, Expressway Property is an indirectly owned subsidiary of Shudao Group and also an associate of Sichuan Expressway. Accordingly, Chengmian Cangba and Expressway Property are connected persons at the subsidiary level of the Company under the Listing Rules and the transactions under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract constitute continuing connected transactions of the Company. As the highest applicable percentage ratios of the annual caps of the transactions under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract exceed 1% but are less than 5%, the transactions contemplated under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the circular and independent shareholders' approval requirements.

None of the Directors has material interests in the transactions contemplated under the Entrusted Operation Business Contract and the Labour Service and Property Management Contract and is required to abstain from voting on the relevant resolutions at the Board meetings. The Directors (including the independent non-executive Directors) consider that the Entrusted Operation Business Contract and the Labour Service and Property Management Contract are entered into in the ordinary and usual course of business of the Group and on normal commercial terms and the terms and conditions thereof as well as the proposed annual caps for the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

Operation Company is a wholly-owned subsidiary of the Company, and is an expressway operation and management company which integrates operation and management as well as asset management of expressways. The Group is primarily engaged in operation, management and development of expressways in and around Chengdu, Sichuan Province, and also carries out retail of refined oil and operation of natural gas.

Chengmian Cangba is principally engaged in development and operation of highway projects, construction, management, operation and maintenance of expressways and ancillary facilities, and has the concession right of the Cangxi-Bazhong Expressway. The ultimate beneficial owner of Chengmian Cangba is Shudao Group.

Expressway Property is principally engaged in residential interior decoration and renovation, expressway management and maintenance, catering services, tourism business and accommodation services, etc.. The ultimate beneficial owner of Expressway Property is Shudao Group.

Shudao Group is a state-owned enterprise with its business covering four major segments including the investment, construction and operation of highway and railroad, related diversified industries (transportation engineering construction, transportation logistics, transportation services, new urbanisation construction along transportation lines, engineering design consulting, etc.), smart transportation and industry-financing integration.

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 Airport Expressway Company”	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company with 55% of its equity interests held by the Company
“Chengmian Cangba”	Sichuan Chengmian Cangba Expressway Co., Ltd. (四川成綿蒼巴高速公路有限責任公司) a company incorporated in the PRC with limited liability, with 40% of its equity interests indirectly held by Shudao Group
“Cangxi-Bazhong Expressway”	a section of Sichuan Chengmian Cangba Expressway designated to be operated and managed by Operation Company, starting from Cangxi County of Guangyuan and ending at Bazhong, with the whole section designed as a four-lane bi-directional road and with a total length of approximately 93 kilometers under operation and management
“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 shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“Entrusted Operation Business Contract”	the “Entrusted Operation Business Contract” entered into between Operation Company and Chengmian Cangba on 28 December 2023
“Expressway Property”	Sichuan Expressway Property Service Co., Ltd. (四川高路物業服務有限公司), a company incorporated in the PRC with limited liability, with 85% of its equity interests indirectly held by Shudao Group
“Group”	the Company and/or 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
“Labour Service and Property Management Contract”	the “Labour Service and Property Management Service Project Contract Agreement” entered into between Operation Company and Expressway Property on 28 December 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operation Company”	Chengdu Expressway Operation Management Co., Ltd. (成都高速運營管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“percentage ratio(s)”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong Special Administrative Region of the PRC, Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shudao Group”	Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司), a company incorporated in the PRC with limited liability and the controlling shareholder of Sichuan Expressway

“Sichuan Expressway”	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, which is a substantial shareholder of Chengdu Airport Expressway Company, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 00107) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601107)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

On behalf of the Board
Chengdu Expressway Co., Ltd.
Yang Tan
Chairman

Chengdu, the PRC, 28 December 2023

As at the date of this announcement, the Board of the Company comprises Mr. Yang Tan, Mr. Xia Wei and Mr. Ding Dapan as executive Directors, Ms. Wu Haiyan as non-executive Director, and Mr. Leung Chi Hang Benson, Mr. Qian Yongjiu and Mr. Wang Peng as independent non-executive Directors.