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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
ENTERING INTO THE REFINED OIL PURCHASE CONTRACTS

ENTERING INTO THE REFINED OIL PURCHASE CONTRACTS

Communications Investment Energy entered into the Refined Oil Purchase Contracts with each of the Connected Suppliers on 27 December 2023, pursuant to which Communications Investment Energy agreed to purchase designated types of refined oil from each of the Connected Suppliers, and each of the Connected Suppliers agreed to sell designated types of refined oil to Communications Investment Energy for a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

LISTING RULES IMPLICATIONS

Communications Investment Energy is an indirect material subsidiary of the Company, Yanchang Shell is a substantial shareholder of Communications Investment Energy and each of the Connected Suppliers is an associate of Yanchang Shell and a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under each of the Refined Oil Purchase Contracts constitute continuing connected transactions at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as (i) each of the Connected Suppliers is a connected person at the subsidiary level of the Company; (ii) the Board has approved each of the Refined Oil Purchase Contracts; and (iii) the independent non-executive Directors have confirmed that the entering into of each of the Refined Oil Purchase Contracts is on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and the shareholders as a whole, the transactions contemplated under each of the Refined Oil Purchase Contracts 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. BACKGROUND

Communications Investment Energy entered into the Refined Oil Purchase Contracts with each of the Connected Suppliers on 27 December 2023, pursuant to which Communications Investment Energy agreed to purchase designated types of refined oil from each of the Connected Suppliers, and each of the Connected Suppliers agreed to sell designated types of refined oil to Communications Investment Energy for a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

II. REFINED OIL PURCHASE CONTRACTS

1. Principal Terms of the Refined Oil Purchase Contracts

The terms of the Refined Oil Purchase Contracts entered into between Communications Investment Energy and each of the Connected Suppliers respectively on 27 December 2023 are substantially the same. The principal terms of the Refined Oil Purchase Contracts are set out below:

Date	:	27 December 2023
Parties	:	(1) Communications Investment Energy, as the buyer; (2) each of the Connected Suppliers, as the seller.
Term	:	Valid for three years commencing from 1 January 2024 and ending on 31 December 2026.
Content of transaction	:	Communications Investment Energy may purchase designated types of refined oil from each of the Connected Suppliers.
Pricing policy	:	Communications Investment Energy will invite each of the Connected Suppliers to submit quotations, and the final settlement amount will be based on the final price as agreed in the batch business confirmation letter (i.e. the specific purchase order used to determine the purchase price and estimated purchase quantity of designated types of refined oil in a given period) between the parties and the volume actually distributed. The quotation provided by each of the Connected Suppliers shall be the price of refined oil and delivery (inclusive of tax), being the full cost (inclusive of tax) for delivery to the designated stations of Communications Investment Energy.

Payment of consideration : Payment shall be made after delivery on a seven-day settlement cycle, i.e., Communications Investment Energy shall settle the price of refined oil actually received in the previous week on a designated day of each week.

If Communications Investment Energy engages in “price stabilization through oil hoarding” (i.e. if Communications Investment Energy anticipates a potential increase in the purchase price of refined oil products, it may lock the purchase price at the current lower price and increase the purchase volume of designated types of refined oil to reduce the purchase costs) for a period of more than seven days, it shall make an upfront payment of 50% to the Connected Suppliers based on the sales volume estimated by Communications Investment Energy during the period of price stabilization through oil hoarding, with the upfront payment being set off against the price of refined oil upon settlement.

2. Historical Transaction Amount

The Group started to purchase refined oil from Shaanxi Yanchang Petroleum Group Sichuan Sales Co., Ltd. since October 2023, and, the transaction amount of purchase of refined oil amounted to approximately RMB2.358 million up to 30 November 2023.

3. Proposed Annual Caps

The Directors propose the aggregated annual caps for all continuing connected transactions contemplated under the Refined Oil Purchase Contracts for the three years ending 31 December 2026 as follows:

	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>	For the year ending 31 December 2026 <i>(RMB million)</i>
Aggregated transaction amount of purchase of refined oil from the Connected Suppliers by Communications Investment Energy	700	1,100	1,200

The above annual caps are determined after taking into account the following:

1. the historical total sales volume of refined oil and recent average purchase price of refined oil of the gas stations currently operated by the Group, and the expected increase in the Group's business volume as well as the unit purchase price of refined oil in the coming three years, meaning the upward trend of the total sales volume and total purchase price of refined oil is expected to continue;
2. in view of the Group's future development plan, it is expected that the Group will add a number of new gas stations in the coming three years, and therefore it is expected that there will be a certain increase in the purchase volume of refined oil by Communications Investment Energy; and
3. it is expected that the supply price and supply capacity of each of the Connected Suppliers may be more favourable than that of the Group's other suppliers of refined oil, and therefore Communications Investment Energy's purchases of refined oil from each of the Connected Suppliers is expected to account for a relatively high percentage of its total purchases.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE REFINED OIL PURCHASE CONTRACTS

Each of the Connected Suppliers has a well-established management system in respect of the quality of refined oil, possesses a relatively large market share and a good reputation in the market and can offer competitive prices. In respect of storage of refined oil, each of the Connected Suppliers has independent and adequate storage capacity and is capable of ensuring stable and sufficient supply of refined oil. In terms of delivery capability, each of the Connected Suppliers has high-quality delivery partners and is capable of ensuring timely delivery. The above strengths of each of the Connected Suppliers meet the operational needs of Communications Investment Energy and are conducive to the Group's stable development and sustainable profit growth.

Communications Investment Energy is primarily engaged in the operation of refined oil. The entering into of the Refined Oil Purchase Contracts will enable Communications Investment Energy to obtain a stable supply of refined oil and optimize Communications Investment Energy's supplier channels for purchase of refined oil, which will not only meet Communications Investment Energy's daily business needs but also enhance Communications Investment Energy's bargaining power in purchase of refined oil, thereby reducing the overall cost of purchase of refined oil, increasing its operating profit and realizing sustainable and steady development of the Group's energy segment, which is beneficial to the Company and its shareholders as a whole.

IV. INTERNAL CONTROL MEASURES

The Company has a comprehensive internal control system in place to ensure that the continuing connected transactions under the Refined Oil Purchase Contracts are fair and reasonable and conducted in the ordinary course of business of the Company in accordance with relevant contracts 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 followings:

1. Prior to purchase of refined oil, Communications Investment Energy will generally inquire quotations from three suppliers admitted by Communications Investment Energy through its stipulated process. In the event that Communications Investment Energy does not consider the quotation offered by the Connected Suppliers (i.e. the price of refined oil and delivery (inclusive of tax)) to be reasonable, or not in the best interests of the Company and the shareholders as a whole, it will not purchase from such Connected Supplier;
2. In the process of purchasing refined oil from each of the Connected Suppliers under the Refined Oil Purchase Contracts, Communications Investment Energy will designate personnel to verify the purchase prices, who will monitor, on a real-time basis, the prevailing refined oil guiding prices issued by the Sichuan Provincial Development and Reform Commission, so as to ensure that the prices of refined oil sold by each of the Connected Suppliers to Communications Investment Energy are not higher than the prevailing refined oil guiding prices publicly available on the website of the Sichuan Provincial Development and Reform Commission (<http://fgw.sc.gov.cn/>);
3. The Company has completed the approval procedures for the Refined Oil Purchase Contracts in accordance with the management rules for connected transactions and relevant internal control system;
4. 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;
5. 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;
6. 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;

7. The Board will review the implementation of the Refined Oil Purchase Contracts 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;
8. 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 conducted (a) 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; and
9. 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 annually 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.

V. LISTING RULES IMPLICATIONS

Communications Investment Energy is a material subsidiary of the Company, Yanchang Shell is a substantial shareholder of Communications Investment Energy and each of the Connected Suppliers is an associate of Yanchang Shell and a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under each of the Refined Oil Purchase Contracts constitute continuing connected transactions at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as (i) each of the Connected Suppliers is a connected person at the subsidiary level of the Company; (ii) the Board has approved each of the Refined Oil Purchase Contracts; and (iii) the independent non-executive Directors have confirmed that the entering into of each of the Refined Oil Purchase Contracts is on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and the shareholders as a whole, the transactions contemplated under each of the Refined Oil Purchase Contracts 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 a material interest in the transactions contemplated under the Refined Oil Purchase Contracts 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 Refined Oil Purchase Contracts 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 are fair and reasonable and in the interests of the Company and its shareholders as a whole.

VI. GENERAL INFORMATION OF THE PARTIES

Communications Investment Energy and the Group

Communications Investment Energy is an indirect non-wholly owned subsidiary of the Company and is principally engaged in operation of refined oil. 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.

Connected Suppliers

Each of the Connected Suppliers is a subsidiary of Shaanxi Yanchang Petroleum. Shaanxi Yanchang Petroleum Group Sichuan Sales Co., Ltd. is principally engaged in storage and wholesale of refined oil and has the ability to provide a stable and sufficient supply of all types of oil products, and Sichuan Yanchang Shell Trading Co., Ltd. is principally engaged in wholesale of refined oil and has the ability to provide a stable and sufficient supply of all types of oil products. Shaanxi Yanchang Petroleum is a state-owned enterprise principally engaged in the exploration, exploitation, processing, storage and transportation of petroleum, natural gas, coal and other energy resources, and also carries out the business of petroleum refining, comprehensive chemical industry of coal, oil and gas, coal and power generation, engineering design and construction.

VII. 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
“Communications Investment Energy”	Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司), a joint stock company incorporated in the PRC with limited liability
“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
“Connected Supplier(s)”	Shaanxi Yanchang Petroleum Group Sichuan Sales Co., Ltd. (陝西延長石油集團四川銷售有限公司) and Sichuan Yanchang Shell Trading Co., Ltd. (四川延長殼牌貿易有限公司)

“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“refined oil”	petrol and diesel fuel, for the purpose of this announcement only
“Refined Oil Purchase Contracts”	the “Refined Oil Purchase Contracts” entered into between Communications Investment Energy and each of the Connected Suppliers on 27 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Yanchang Petroleum”	Shaanxi Yanchang Petroleum (Group) Co., Limited (陝西延長石油(集團)有限責任公司), a joint stock company incorporated in the PRC with limited liability and a state-owned enterprise

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Yanchang Shell”	Yanchang Shell (Sichuan) Petroleum Co., Ltd. (延長殼牌(四川)石油有限公司), a joint stock company incorporated in the PRC with limited liability
“%”	per cent

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

Chengdu, the PRC, 27 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.