

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability as a joint stock company)

(Stock Code: 995)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION
LEASE OF OPERATING RIGHTS OF GAS STATIONS

The Board announces that as the Old Operating Lease has expired on 31 March 2021, the Company has entered into the Operating Lease with Expressway Petroleum on 8 April 2021, pursuant to which the Company agrees to lease the Leased Assets and the land use rights of the land they occupy to Expressway Petroleum for operation for a term commencing on 1 April 2021 to 31 December 2021.

Expressway Petroleum is a subsidiary of Anhui Transportation Holding Group, the controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 31.63% of the Company's issued shares. According to Chapter 14A of the Listing Rules, Anhui Transportation Holding Group is a connected person of the Company. Expressway Petroleum, being an associate of Anhui Transportation Holding Group, is also a connected person of the Company. Therefore the Operating Lease constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the Operating Lease has exceeded 0.1% but not exceeded 5% as specified under the Listing Rules on an annual basis, and the transaction is conducted in accordance with normal commercial terms, the Operating Lease is exempt from the Company's independent shareholders' approval requirement, but shall be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

THE OPERATING LEASE

Date: 8 April 2021

Parties:

- (1) the Company (as lessor); and
- (2) Expressway Petroleum (as lessee), a connected person of the Company under the Listing Rules.

Subject Matter

As the Old Operating Lease has expired on 31 March 2021, the Company has entered into the Operating Lease with Expressway Petroleum. Pursuant to the Operating Lease, the Company agrees to lease the Leased Assets and the land use rights of the land they occupy to Expressway Petroleum for operation, including selling petroleum, natural gas and relevant products, selling bitumen and chemical products, and other operations allowed by the industrial and commercial registration. The assets subject to the Operating Lease shall be used, maintained, refurnished and upgraded at the expense of Expressway Petroleum, with major adjustments and disposals requiring the prior written approval of the Company.

Term of lease

The parties agree that the term of lease shall commence on 1 April 2021 and terminate on 31 December 2021.

Rent

Pursuant to the Operating Lease, the total rent during the term of lease shall be RMB19,417,500, which shall be payable by Expressway Petroleum in full within 10 working days from the agreement date. The corresponding rent shall be paid to the account designated by the Company.

The aforementioned rent is determined by negotiations between the parties on an arm's length basis by reference to (1) the charge scale of the Old Operating Lease; (2) the prevailing market of the similar leases; (3) the lease areas; and (4) the profits level required to be achieved by the Company and the counterparty.

In the event that the operation of gas stations is suspended by reason of reconstruction or expansion work carried out on highways belonging to the Company, Expressway Petroleum shall report such suspension to the Company in time. After verification conducted by the Company, the rent will be deducted accordingly based on the actual closing days.

Expressway Petroleum shall, within 10 working days from the agreement date, pay the Company a performance deposit in the sum of RMB1,050,000. The performance deposit is mainly used to regulate Expressway Petroleum's conduct in performing the agreement. In the event of breach of the agreement by Expressway Petroleum, the performance deposit shall:

1. be applied directly to set off against the liquidated damages;
2. be applied in compensation of the Company's financial loss caused by Expressway Petroleum. The Company shall be entitled to claim against Expressway Petroleum for any shortfall should the performance deposit be insufficient to fully compensate the Company's loss;

In the absence of any breach of agreement or potential dispute by Petroleum Expressway, the Company shall, within 10 working days from the expiration of the term of the agreement, return the performance deposit (without any interest) to Expressway Petroleum in one instalment.

The actual transaction amounts under the Old Operating Lease for the financial years ended 31 December 2018 (1 April to 31 December), 31 December 2019, 31 December 2020 and ending 31 December 2021 (1 January to 31 March) are RMB19,417,500, RMB25,890,000, RMB25,890,000 and RMB6,472,500 respectively.

In determining whether the rent scale under the Operating Lease is on normal commercial terms, the responsible management will consider the market price and market condition of rent for the same or similar assets. In choosing Expressway Petroleum as the lessee, the Company has considered different factors including the rent scale, the reliability of and past experience in cooperation with Expressway Petroleum and Expressway Petroleum's possession of relevant professional qualifications and experience, etc. The responsible management approves the relevant rent and enters into the relevant agreement after having confirmed that the rent is commercially reasonable.

Annual Cap

The maximum aggregate annual value, i.e. the Annual Cap, for the Operating Lease for the financial years ending 31 December 2021 is RMB19,417,500, which is equivalent to the rent for the year receivable by the Company under the Operating Lease.

REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATING LEASE

The Board takes the view that the Operating Lease generates a source of income to the Company, the Company and Expressway Petroleum cooperated well in the past and Expressway Petroleum has professional experience in operating gas stations. The Operating Lease can fully utilize Expressway Petroleum's edge in this regard and the quality for operation of the Leased Assets can also be ensured.

CONFIRMATION OF THE BOARD

The Board has considered and approved the resolution on the Operating Lease. Xiang Xiaolong, Yang Xiaoguang, Tang Jun and Xie Xinyu, the directors of the Company, are directors or senior management of Anhui Transportation Holding Group or its subsidiaries. Therefore, Xiang Xiaolong, Yang Xiaoguang, Tang Jun and Xie Xinyu are considered to have interests in the Operating Lease, and have abstained from voting on the resolution on the connected transaction under the Operating Lease under the Listing Rules. Save as aforesaid, none of the directors has any material interests in the Operating Lease or is required to abstain from voting on the relevant Board resolution.

After considering the above-mentioned reasons and benefits, the directors of the Company (including the independent non-executive directors) are of the view that the terms of the Operating Lease and the Annual Cap are fair and reasonable, in accordance with normal commercial terms and that the continuing connected transaction shall be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Expressway Petroleum is a subsidiary of Anhui Transportation Holding Group, the controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 31.63% of the Company's issued shares. According to Chapter 14A of the Listing Rules, Anhui Transportation Holding Group is a connected person of the Company. Expressway Petroleum, being an associate of Anhui Transportation Holding Group, is also a connected person of the Company. Therefore the Operating Lease constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the Annual Cap of the Operating Lease has exceeded 0.1% but not exceeded 5% on an annual basis, and the transaction is conducted in accordance with normal commercial terms, the Operating Lease is exempt from the Company's independent shareholders' approval requirement, but shall be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES INVOLVED IN THE OPERATING LEASE

The Company is principally engaged in: design, construction, supervision, toll collection, maintenance, emergency repairing, management of road assets and road right of high grade highways; storage; consultation services of expressway construction and operation, etc.

Expressway Petroleum is mainly engaged in the retail of refined oil; sale of lubricating oil, fuel oil (excluding dangerous chemicals), heavy oil, chemical products (excluding dangerous chemicals), automobile accessories and decorations, etc.; production, processing, sale and storage of coal and bitumen; automobile repair; venue leasing; consultancy service of commercial information; operation management of gas stations of branches.

DEFINITION

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Anhui Transportation Holding Group”	Anhui Transportation Holding Group Company Limited* (安徽省高速公路控股集團有限公司), formerly known as Anhui Expressway Holding Group Company Limited* (安徽省高速公路控股集團有限公司), a company incorporated under the laws of the PRC
“Annual Cap”	the maximum aggregate annual value for the continuing connected transaction under the Operating Lease
“associate(s)”	having the meaning as defined in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Anhui Expressway Company Limited, a joint stock limited company incorporated in the PRC, its overseas listed shares are listed on the Stock Exchange of Hong Kong, and its domestic ordinary shares are listed on the Shanghai Stock Exchange in the PRC
“Expressway Petroleum”	Anhui Expressway Petroleum Limited* (安徽省高速石化有限公司), a company incorporated under the laws of the PRC and a subsidiary of Anhui Transportation Holding Group
“Group”	the Company and its subsidiaries
“Leased Assets”	a total of 19 gas stations in 9.5 pairs of service areas namely Feidong, Wenji, Quanjiao, and Da Shu service areas of Hening Expressway; Wang He, Tai Hu, Gong Ling, and Su Song (one side) service areas of Gaojie Expressway; Fushan service area of Ninghuai Expressway; Wang Zhai service area of Lianhuo Expressway, and Wantong gas station (1 gas station) and gas station in Jing Gong of the Gaojie Expressway (1 gas station)

“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Old Operating Lease”	the Anhui Expressway gas stations operating lease entered into between the Company and Expressway Petroleum on 29 March 2018
“Operating Lease”	the operating rights lease for gas stations belonging to Anhui Expressway Company Limited entered into between the Company and Expressway Petroleum on 8 April 2021
“PRC”	The People’s Republic of China and for the sole purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Percentage

By Order of the Board
Xie Xinyu
Company Secretary

Hefei, Anhui, the PRC
8 April 2021

As at the date of this announcement, the Board comprises Xiang Xiaolong (chairman), Yang Xiaoguang, Tang Jun and Xie Xinyu, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Liu Hao, Zhang Jianping and Fang Fang, being the independent non-executive directors.

This announcement is originally prepared in Chinese and the Chinese version shall prevail the English translation.

* *Translation for identification purpose only*