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安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS:
COOPERATION FRAMEWORK AGREEMENTS**

The Board announces that on 8 December 2020, the Company has entered into two cooperation framework agreements (the “Framework Agreements”) with the Consortium formed by Design Institute and Expressway Construction, in relation to the provision of survey and design service and construction service for the optimization and improvement construction projects of the video monitoring management system and the severe weather conditions monitoring and early warning system in the sections of expressway in Anhui Province, and the “Video Network Monitoring Work for the National Expressway” project of the Company, respectively.

- Anhui Transportation Holding Group is currently holding approximately 31.63% of the total issued shares of the Company, and is the controlling shareholder and a connected person of the Company as defined under the Listing Rules. Design Institute is a subsidiary of Anhui Transportation Holding Group. Expressway Construction is a wholly-owned subsidiary of Anhui Transportation Holding Group. Each of Design Institute and Expressway Construction is an associate of Anhui Transportation Holding Group and is therefore also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Framework Agreements constitute continuing connected transactions.
- As the continuing connected transactions contemplated under the Framework Agreements are conducted with the same connected persons (i.e. the Consortium formed by Design Institute and Expressway Construction), they may be aggregated and treated as if they were one transaction in accordance with the requirements under Rules 14A.81 and 14A.83 of the Listing Rules.
- As the highest applicable percentage ratio in respect of the continuing connected transactions under the Framework Agreements on an annual and aggregated basis is more than 0.1% but less than 5%, and the transactions are conducted on normal commercial terms, they are exempted from the requirement of approval by independent shareholders of the Company, but shall be subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

(1) Framework Agreement I

Background

According to the relevant requirements of the “Optimization and Improvement Plan of the Video Monitoring Management System and the Severe Weather Conditions Monitoring and Early Warning System in the Sections of Expressway in Anhui Province” issued by the General Office of Anhui Province and forwarded to the Public Security Department and other departments of Anhui Province* (《安徽省政府辦公廳轉發省公安廳等部門關於全省高速公路全程視頻監控管理系統和惡劣氣象條件監測預警系統優化完善建設方案》), in order to implement the optimization and improvement works of the video monitoring management system and the severe weather conditions monitoring and early warning system in the sections of expressway managed by the Company (the “Two Systems Construction Projects”), which include, among others, addition of surveillance cameras along the expressway, upgrading and reconstruction of video monitoring platforms, upgrading of video information transmission fiber bandwidth and back-end software and hardware facilities, and construction of the Company’s message sign centralized control platform to timely release weather monitoring and early warning information to drivers and passengers, the Company has organized a tender for the survey and design service and construction service of the Two Systems Construction Projects, which was won by the Consortium formed by Design Institute and Expressway Construction. On 8 December 2020, the Company has entered into a cooperation framework agreement with the Consortium for the above survey and design service and construction service (“Framework Agreement I”).

The Two Systems Construction Projects aim to comprehensively improve the scientific and intelligentization level of the traffic management and operation for the expressways managed by the Company, and improve the efficiency of road traffic and the ability to “prevent accidents and ensure smooth traffic” through a three-dimensional video monitoring and management network.

Date

8 December 2020

Parties

- (1) The Company (as service user); and
- (2) The Consortium formed by Design Institute and Expressway Construction (as service provider), connected persons of the Company under the Listing Rules.

Contract Matters

Pursuant to Framework Agreement I, the Company shall engage the Consortium to provide design, implementation, completion and defect repair services for Two Systems Construction Projects to the management offices of the Company, Xuanguang Company and Ningxuanhang Company, both of which are subsidiaries of the Company.

When carrying out the project construction, the Consortium will enter into specific implementation contracts with the management offices and subsidiaries of the Company according to the engineering works in the construction drawing design.

Contract Term

The term of Framework Agreement I is from December 2020 to March 2021.

Fees

According to the relevant clauses of Framework Agreement I and as confirmed by the parties, the total amount of the fees under Framework Agreement I is estimated to be RMB30,413,163.65. Among them, the fees to be received by Design Institute will be RMB1,775,000, accounting for approximately 5.84% of the estimated fees thereunder and the fees to be received by Expressway Construction will be RMB28,638,163.65, accounting for the remaining approximately 94.16%.

Basis for Fees and Payment Terms

The contract fee is the successful bid price submitted by the Consortium in the tender for the provision of service under Framework Agreement I. To ensure that the price is in line with normal commercial terms, Framework Agreement I shall be awarded to a service provider selected by way of open tender. At least 3 service providers have participated in the tender and the tender process has complied with the relevant local regulations. Factors that have been taken into consideration by the Company during the tender process include: (i) the terms of tender proposals offered by the participating bidders, including the tender prices and their responses to the tender terms; (ii) the background, qualifications and financial position of the participating bidders; (iii) the expected workload; (iv) the financial budget of the relevant service; and (v) the past tender contract price and the charging standards prescribed by the national laws and regulations, and a bid price ceiling is set.

According to the relevant clauses of Framework Agreement I and as confirmed by the parties, upon the commencement of the projects, 30% of the contract amount shall be prepaid. Upon the completion of the projects, audit results shall be used as a basis for final settlement and payment, and settlement shall be made based on the actual quantities of works. At the time of settlement, 3% of the final settlement amount shall be withheld as quality deposit and will be paid after the two-year warranty period expires and all the works have passed the inspection. The aforesaid fees will be paid with the Company's own funds.

(2) Framework Agreement II

Background

According to the deployment of construction projects for the video network monitoring works for the national expressway in the “Implementation Plan for the National Expressway Video Network Monitoring Work”* (《全國高速公路視頻聯網監測工作實施方案》) and the “Notice on Accelerating the Video Network Monitoring Work for the National Expressway”* (《關於加快推進全國高速公路視頻聯網監測工作的通知》) issued by the General Office of the Ministry of Transport, in order to complete the integration and intercommunication of the surveillance video image resources of the expressways managed by the Company, and to realize the network access tasks of surveillance video in trunks, bridges, tunnels, service areas, toll plazas, etc. with the ministerial cloud platform of the Ministry of Transport, the Company has organized a tender for the survey and design service and construction service of the “Video Network Monitoring Work for the National Expressway”* (「全國高速公路視頻聯網監測工作」) project, which was won by the Consortium formed by Design Institute and Expressway Construction. On 8 December 2020, the Company has entered into a cooperation framework agreement with the Consortium for the above survey and design service and construction service (“Framework Agreement II”).

The “Video Network Monitoring Work for the National Expressway” project carried out by the Company aims to further optimize and enhance the informatization and intelligentization level of the expressways managed by the Company, improve travel service guarantee capabilities and supervision levels, and better meet the people’s need for the high-quality travel.

Except for the following amendments, other major terms of Framework Agreement II are the same as those set out in Framework Agreement I:

- Pursuant to Framework Agreement II, the Company shall engage the Consortium to provide design, implementation, completion and defect repair services for the “Video Network Monitoring Work for the National Expressway” project of the Company to the management offices of the Company, Xuanguang Company and Ningxuanhang Company, both of which are subsidiaries of the Company.
- The term of Framework Agreement II is from December 2020 to October 2021.
- According to the relevant clauses of Framework Agreement II and as confirmed by the parties, the total amount of the fees under Framework Agreement II is estimated to be RMB10,927,421.18. Among them, the fees to be received by Design Institute will be RMB600,000, accounting for approximately 5.5% of the estimated fees thereunder and the fees to be received by Expressway Construction will be 10,327,421.18, accounting for the remaining approximately 94.5%.

Annual Caps

For the financial years ending 31 December 2020 and 31 December 2021, the maximum annual total values (i.e. the Annual Caps) for the transactions under the Framework Agreements are as follows:

For the financial year ending 31 December 2020

- Framework Agreement I: RMB9,123,949.10;
- Framework Agreement II: RMB3,278,226.35.

For the financial year ending 31 December 2021

- Framework Agreement I: RMB30,413,163.65;
- Framework Agreement II: RMB10,927,421.18.

The above Annual Caps are determined with reference to factors including (1) the expected amount of work; (2) the total contractual amount; and (3) the expected payment schedule.

The above Annual Caps are RMB12,402,175.45 in aggregate for the year 2020, and RMB41,340,584.83 in aggregate for the year 2021.

Reasons for and Benefits of the Transactions

The Company is of the view that the Two Systems Construction Projects and the “Video Network Monitoring Work for the National Expressway” project involve professional project construction such as civil engineering, traffic safety and mechatronics. The Company used open tenders to select the implementation units for the above projects and Design Institute and Expressway Construction won the bids to become a provider for the survey and design service and the construction service. Design Institute has Class-A Integrated Qualification for Engineering Design, while Expressway Construction possesses the first-grade qualification for professional contracting of highway traffic project (highway mechatronic project) and the first-grade qualification for professional contracting of highway traffic project (highway safety facilities), and relevant qualifications such as maintenance, traffic safety and mechatronics. The Consortium is able to consolidate and arrange design and construction, reduce safety risks and comprehensively advance the implementation progress of the projects. The Consortium is also familiar with the situation of each management unit and road sections of the Company, which benefits the communication and coordination during the business process and ensures the progress and quality requirements of the construction projects.

The above-mentioned transactions are of great significance to the Company in improving the management and operation level of expressways and ensuring the order, safety and smooth flow of the traffic. During the tender process, the Company strictly followed the principles of fairness, impartiality, and scientific selection of the best with the open and transparent procedures of reviewing, opening of the tender and publicity. The pricing was fair and reasonable. The connected transactions constituted by the public bidding are normal commercial activities, and there is no circumstances detrimental to the interests of the Company and other non-connected shareholders.

Implications under the Listing Rules

Anhui Transportation Holding Group is currently holding approximately 31.63% of the total issued shares of the Company, and is the controlling shareholder and a connected person of the Company as defined under the Listing Rules. Design Institute is a subsidiary of Anhui Transportation Holding Group. Expressway Construction is a wholly-owned subsidiary of Anhui Transportation Holding Group. Each of Design Institute and Expressway Construction is an associate of Anhui Transportation Holding Group and is therefore also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Framework Agreements constitute continuing connected transactions.

As the continuing connected transactions contemplated under the Framework Agreements are conducted with the same connected persons (i.e. the Consortium formed by Design Institute and Expressway Construction), they may be aggregated and treated as if they were one transaction in accordance with the requirements under Rules 14A.81 and 14A.83 of the Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the Framework Agreements on an annual and aggregated basis is more than 0.1% but less than 5%, and the transactions are conducted on normal commercial terms, they are exempted from the requirement of approval by independent shareholders of the Company, but shall be subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

Confirmation of the Board

The Board has considered and approved the resolution in relation to the Framework Agreements. Xiang Xiaolong, Yang Xiaoguang, Tang Jun and Xie Xinyu who are directors of the Company are also directors or senior management of Anhui Transportation Holding Group or its controlling subsidiaries. Therefore, Xiang Xiaolong, Yang Xiaoguang, Tang Jun and Xie Xinyu are deemed to be interested in the transactions under the Framework Agreements and have abstained from voting on the resolution on connected transactions in relation to the Framework Agreements in accordance with the Listing Rules. Save as mentioned above, none of the Directors is materially interested in the transactions under the Framework Agreements, nor is any Director required to abstain from voting on the relevant Board resolution.

The Board (including independent non-executive directors) consider that the transactions under the Framework Agreements are (i) fair and reasonable; (ii) conducted on normal commercial terms or better terms in the ordinary course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

Information of the relevant parties

The Company is principally engaged in the holding, operation and development of toll expressways and highways within and outside Anhui Province.

Design Institute is mainly engaged in investment, planning, consulting, project management, survey, design, supervision, testing, construction, operation and maintenance, technology, equipment and building materials development, agent, general contracting and external contracting of the transportation and urban and rural infrastructure (such as road, bridge, tunnel, port, channel, rail, transportation engineering, geotechnical, landscape architecture, water supply and drainage, architecture, structure), resources and ecology and environment (such as protection, restoration, disaster prevention, governance and development and utilization) and the intelligence and information system.

Expressway Construction is principally engaged in general contracting of highways, municipal services, housing construction, water conservancy and hydropower, ports and waterways; professional project contracting of steel structures, reinforcement of building structures, traffic safety facilities, mechatronics, highway subgrade, road pavement, bridges, tunnels, building renovation and decoration, and landscaping; production, sales and construction of traffic safety facilities and products such as guard rails, traffic signs, pavement markings, sound barriers and separating fences; maintenance and construction of highway subgrade, road pavement, bridges, tunnels and mechatronics.

Definitions

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Anhui Transportation Holding Group”	Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司), formerly known as Anhui Expressway Holding Group Company Limited* (安徽省高速公路控股集團有限公司)
“Annual Cap(s)”	the maximum aggregate annual amount(s) for the continuing connected transactions contemplated under the Framework Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Anhui Expressway Company Limited* (安徽皖通高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the overseas listed shares of which are listed on the Stock Exchange, and the domestic ordinary shares of which are listed on the Shanghai Stock Exchange in the PRC

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consortium”	the consortium formed by Design Institute and Expressway Construction to provide transactions under the Framework Agreements
“Design Institute”	Anhui Transport Consulting & Design Institute Co., Ltd.* (安徽省交通規劃設計研究總院股份有限公司), a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange in the PRC
“Expressway Construction”	Anhui Expressway Construction Company Limited* (安徽省高速公路建設有限公司), a company incorporated under the laws of the PRC, which is a wholly-owned subsidiary of Anhui Transportation Holding Group
“Framework Agreement I”	the cooperation framework agreement entered into by the Company and the Consortium on 8 December 2020 for the survey and design service and construction service of the Two Systems Construction Projects
“Framework Agreement II”	the cooperation framework agreement entered into by the Company and the Consortium on 8 December 2020 for the survey and design service and construction service of the “Video Network Monitoring Work for the National Expressway” project of the Company
“Framework Agreements”	Framework Agreement I and Framework Agreement II
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Xuanguang Company”	Xuanguang Expressway Company Limited* (宣廣高速公路有限責任公司), a company incorporated under the laws of the PRC, and its equity interest is held as to 55.47% and 44.53% by the Company and Xuancheng Transportation Investment Company Limited* (宣城市交通投資有限公司), respectively
“Ningxuanhang Company”	Anhui Ningxuanhang Expressway Investment Company Limited*(安徽省寧宣杭高速公路投資有限公司), equity interest of which is held as to 51%, 10% and 39% by the Company, Xuancheng Transportation Investment Company Limited* (宣城市交通投資有限公司) and Anhui Transportation Holding Group, respectively

“percentage ratio”	the percentage ratios (except for profits ratio and equity capital ratio) prescribed under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement only, shall exclude Hong Kong Special Administrative Region, 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
Anhui Expressway Company Limited
Xie Xinyu
Company Secretary

Hefei, Anhui, the PRC
8 December 2020

As at the date of this announcement, the Board of the Company 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 was originally prepared in Chinese. In the event of discrepancies between the Chinese and the English version, the Chinese version shall prevail.

* *Translation for identification purpose only*