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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)

**CONNECTED TRANSACTION
ESTABLISHMENT OF FUND PARTNERSHIP**

The Board is pleased to announce that on 2 November 2023, the Company entered into the Fund Partnership Agreement with Transportation Holding Capital, Transportation Holding Fund Management Company, Goldstone Investment and Goldstone Runze, pursuant to which the parties agreed to jointly establish the Fund Partnership.

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. As Transportation Holding Capital and Transportation Holding Fund Management Company are subsidiaries of Anhui Transportation Holding Group, under Chapter 14A of the Listing Rules, both Transportation Holding Capital and Transportation Holding Fund Management Company are associates of Anhui Transportation Holding Group and are therefore also connected persons of the Company. Accordingly, the establishment of the Fund Partnership constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Fund Partnership Investment is more than 0.1% but less than 5%, the connected transaction for the establishment of the Fund Partnership is exempted from the shareholders' approval requirement, but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. ESTABLISHMENT OF THE FUND PARTNERSHIP

The Board is pleased to announce that on 2 November 2023, the Company entered into the Fund Partnership Agreement with Transportation Holding Capital, Transportation Holding Fund Management Company, Goldstone Investment and Goldstone Runze, pursuant to which the parties agreed to jointly establish Anhui Transportation Holding Goldstone Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* (安徽交控金石新興產業股權投資基金合夥企業(有限合夥)) (tentative name, subject to registration) (the “**Fund Partnership**”). Details of the Fund Partnership are as follows:

Parties

- (1) Transportation Holding Fund Management Company, as General Partner
- (2) Goldstone Investment, as General Partner
- (3) the Company, as Limited Partner
- (4) Transportation Holding Capital, as Limited Partner
- (5) Goldstone Runze, as Limited Partner

The liabilities of the General Partners under the Fund Partnership are unlimited, while the Limited Partners are liable for the debts of the partnership to the extent of their respective capital contributions.

Purpose

The purpose of establishment of the Fund Partnership is to engage in investment business as agreed in the Fund Partnership Agreement and to obtain long-term investment returns for the Partners primarily through the acquisition, holding and disposal of investment portfolios.

Scope of business

Equity investment, investment management, assets management and other activities with private fund (the operating activities are subject to the completion of the registration and filing for record with the Asset Management Association of China) (subject to the finally approved business scope of registration by the competent enterprise registration authority).

Capital contribution in the Fund Partnership

Name of Partner	Capital contribution (RMB million)	Proportion of capital contribution (%)	Manner of contribution	Liability
Goldstone Investment	194	9.7	cash	unlimited
Transportation Holding Fund Management Company	2	0.1	cash	unlimited
Transportation Holding Capital the Company	1,598	79.9	cash	limited
	200	10.0	cash	limited
Goldstone Runze	6	0.3	cash	limited
Total:	<u>2,000</u>	<u>100.00</u>		

The total initial capital contribution to be made by all Partners of the Fund Partnership, in principle, shall be RMB500 million, and the first installment of the initial paid-in capital contribution will be made according to the filing requirements of the Fund Partnership; upon completion of the filing of the Fund Partnership, Goldstone Investment may, according to the needs of the project investment, ask each of the Partners to make a one-off payment of the remaining portion of the initial paid-in capital contribution, and the specific amount shall be subject to the official notice of payment. Upon the initial capital contribution, Goldstone Investment may issue the notice of subsequent payment of capital contributions to all Partners according to the progress of the fund investment and utilization of funds.

The amount of the Fund Partnership is determined with reference to the capital requirements of Fund Partnership and the parties' contribution intentions after negotiation among the parties, taking into account various factors, including the possible investment return of the Fund Partnership, the financial conditions of and resources available to the parties and expected investment opportunities. As at the date of this announcement, the Company has not made any capital contribution in respect of the Fund Partnership. The Fund Partnership Investment will be funded by the internal resources of the Group.

OPERATING PERIOD

The operating period of the Fund Partnership shall commence from the establishment of the partnership at the commerce and industrial authority till the expiry of seven years after the initial contribution date. Of which:

- (1) there will be an initial five years from the initial contribution date, known as the “investment deployment period”, during which investments will be made; and
- (2) the subsequent two years, known as the “exit period”, which will be the period during which in general no more investment will be made except for investment arrangements that have been considered and approved by the Investment Committee or in respect of which binding agreements have been executed before the expiry of the investment deployment period.

Upon unanimous approval by the General Partners of the Fund Partnership, the term of the exit period of the Fund Partnership may be further extended twice for one year each time. If the exit period is extended, the operating period of the partnership may be correspondingly extended.

Areas of investment and investment decision-making

The Fund Partnership operates with two General Partners, with Goldstone Investment acting as fund manager, executive partner and General Partner, providing services in investment management, administration, daily operation management, etc.. Transportation Holding Fund Management Company, as a General Partner, does not undertake specific management affairs.

The Fund Partnership will establish the Investment Committee consisting of investment professionals to make professional decisions on investment opportunities and be accountable to the partnership. The Investment Committee consists of five members, of which three members shall be appointed by Goldstone Investment, and two members shall be appointed by Transportation Holding Fund Management Company. Matters to be considered by the Investment Committee shall be approved only with the consent of three members or more. The rules of procedure of the Investment Committee shall be formulated, modified, interpreted, and repealed by Goldstone Investment, and shall come into effect after being jointly signed by the General Partners.

The investment orientation of the Fund Partnership will focus on investment opportunities in high-tech industries and strategic emerging industries such as smart transportation, new-generation information technology, new energy, new materials and high-end equipment.

MANAGEMENT FEE

The Fund Partnership shall calculate and pay a management fee annually to the fund manager (Goldstone Investment) in the following manner:

- (1) For each Limited Partner, during the investment deployment period: 0.96% of the total paid-in capital contribution of such Limited Partner (excluding Goldstone Runze) as the fixed management fee, and 0.24% of that as floating management fee;
- (2) For each Limited Partner, during the exit period: 0.48% of the investment cost of un-exited project of the partnership contributed by such Limited Partner (excluding Goldstone Runze) as of the end of the previous calendar year as the fixed management fee, and 0.12% of that as floating management fee; and
- (3) During the extended period: No further provision of management fee.

REMUNERATION OF GENERAL PARTNER

The Fund Partnership shall calculate and pay the remuneration of General Partner annually to Transportation Holding Fund Management Company in the following manner:

- (1) For each Limited Partner, during the investment deployment period: 0.64% of the total paid-in capital contribution of such Limited Partner (excluding Goldstone Runze) as the fixed remuneration of General Partner, and 0.16% of that as floating remuneration of General Partner;
- (2) For each Limited Partner, during the exit period: 0.32% of the investment cost of un-exited project of the partnership contributed by such Limited Partner (excluding Goldstone Runze) as of the end of the previous calendar year as the fixed remuneration of General Partner, and 0.08% of that as floating remuneration of General Partner; and
- (3) During the extended period: No further provision of remuneration of General Partner.

The Fund Partnership shall calculate the floating management fee and floating remuneration of General Partner retroactively to the initial contribution date of the partnership upon the date when such Limited Partner has completed the actual payment of all subscribed capital contributions, or the investment deployment period has expired; and the cumulative distribution amount received by such Limited Partner reaches the sum of the total paid-in capital of such Limited Partner and the performance remuneration basis return calculated based on an annualized return of 8% (simple interest) as agreed for all paid-in capital, or the expiration date of the partnership exit period (including extended period).

Distribution of investment return

The investment return of the Fund Partnership is distributed on a basis of “repaying commitment before yield sharing”, with a catch-up mechanism in place.

- (1) The distributable cash arising from project investment income will be distributed to all Partners in proportion to their respective interests in the project and the distributable cash arising from temporary investment income will be distributed to all Partners in proportion to their respective paid-in capital contributions, until the accumulated amount of distribution to each Partner is equivalent to its paid-in capital contribution in the Fund Partnership;
- (2) Any surplus will be distributed to all Partners in proportion to item (1) until the accumulated amount of distribution to all Partners reaches a level equivalent to the performance remuneration basis return calculated at an annualized return of 8% (simple interest, where less than one year is calculated on the basis of the actual number of days, with one year being 365 days) over a Partner’s paid-in capital contribution during the period from the date on which its paid-in capital contribution is made to the date on which such paid-in capital contribution is fully refunded.
- (3) Distribution of a catch-up revenue to the General Partners if there is any surplus until the amount of distribution received by the General Partners pursuant to this item (3) reaches twenty-five percent (25%) of the aggregate amount of the performance remuneration basis return realized by all Partners in item (2) above;
- (4) Distribution on the 2–8 basis if there is any surplus. Eighty percent (80%) shall be distributed to all Partners and be shared among them in proportion to item (1); twenty percent (20%) shall be distributed to the General Partners.

Exit Mechanism

Unless the partnership interests held by the Partner is transferred in accordance with the Fund Partnership Agreement to exit the partnership, no Partner may choose to exit. In the event of exit by a Partner, all parties shall negotiate separately.

TRANSFER OF INTERESTS IN THE PARTNERSHIP

A Limited Partner who intends to transfer its interests in the partnership and who applies to transfer all or a portion of its interests in the partnership shall make a written application to Goldstone Investment, and when an application for the transfer of such interests in the partnership becomes a valid application, with the joint consent of the General Partners, a decision may be made to agree or disagree with the transfer of such interests. For interests that the General Partners jointly agree to transfer (other than the transfers from Limited Partners to related parties), other non-defaulting Partners other than the transferor have the first priority to acquire the interests on equal terms.

As at the date of this announcement, the Fund Partnership is still subject to the filing procedures with the Asset Management Association of China in accordance with the requirements of the laws and regulations, including “Securities Investment Fund Law”* (《證券投資基金法》) and “Interim Measures on Supervision and Management of Private Equity Fund”* (《私募投資基金監督管理暫行辦法》).

2. REASONS FOR, AND BENEFITS OF, ESTABLISHMENT OF THE FUND PARTNERSHIP

Beneficial to the expansion of strategic emerging industries

At present, the Company’s industrial layout is dominated by traditional business. With China’s economy shifting from a stage of rapid growth to a stage of high-quality development, the cultivation and development of strategic emerging industries has become an important guarantee for sustainable development, and the Company may, based on the funds strategic cooperation platform, explore business opportunities in strategic emerging industries such as smart transportation, new materials and new energy by leveraging Goldstone Investment’s extensive experience in fund management and post-investment empowerment.

Beneficial to the increase of the Company's investment revenue

In view of Goldstone Investment's extensive experience and excellent track record in fund management, the Company's participation in the establishment of the Fund Partnership is conducive to enhancing the efficiency of the use of funds and the level of investment returns, which will further enhance the Company's consolidated profitability.

Beneficial for the Company to carry out diversified investment

The Company's principal business revenue is mainly derived from expressway toll collection. With the decrease in the operating period of the existing expressways year by year, the Company will be exposed to the issues of sustainable development. Participation in the establishment of the Fund Partnership may enable the Company to explore new business opportunities while obtaining investment returns, in virtue of the strengths of the Company's principal business and its upstream and downstream industrial chains.

3. THE RISKS OF THE INVESTMENT AND CONTROL MEASURES

Uncertainties in Macroeconomic Development

Risk factors: The proposed investment targets of the Fund Partnership mainly focuses on high-tech industries and strategic emerging industries such as smart transportation, new-generation information technology, new energy, new materials and high-end equipment. These industries are directly or indirectly affected by the macroeconomic environment, changes in downstream demand and other factors. If the macroeconomy does not develop as expected, the demand slumps, and the investment confidence falls down, it may be unfavorable to the operation and development of related industries and business entities, and adversely affect the selection of potential targets for the proposed investment orientation of the Fund Partnership project and the development of the invested targets.

Countermeasures: 1. The fund shall be operated by a professional fund manager, who accurately captures potential investment opportunities and scientifically and prudently evaluates the investment targets, based on economic development and the research of development of target industries, so as to reduce the risks to the maximum extent. 2. When determining the future investment orientation of the Fund Partnership, try to select new industries and target companies with strong anti-cyclical ability and high growth driven by technology, and avoid investing in industries which are greatly and directly affected by macroeconomic environment, thus avoiding and resolving the adverse impact of external economic environment on the operation of the fund.

Changes in Regulatory Policies

Risk factors: The Company, as a state-owned listed company participating in private investment fund business activities, is subject to the direct supervision of China Securities Regulatory Commission (CSRC), the stock exchanges, State-owned Assets Supervision and Administration Commission (SASAC), Bureau of Financial Regulation and Supervision and other relevant institutions. If there are changes in the relevant regulatory policies or supervisory actions involved in this project, it may have an impact on the Company's participation in the investment proposal of this project as well as its subsequent operation, withdrawal and other activities. The Company may be exposed to compliance risks if its investment decisions and subsequent operations are conducted in a manner that does not comply with regulatory requirements.

Countermeasures: 1. To strengthen the audit and control of the Company's investment in this project, and strengthen the review of compliance of regulatory policies in the evaluation process of the Company's investment in this project. In the process of project demonstration and evaluation, primary and secondary safeguards such as investment management agencies, legal professional bodies shall follow the Company's compliance management requirements and carry out compliance review of relevant policies and regulatory requirements, and, if necessary, seek professional institutions such as lawyers or compliance risk consultants to conduct risk analysis on the impact of important regulatory policies and their changes on this project and provide professional advices. 2. To increase the use of safeguarding clauses in investment partnership agreement and other related documents, and exercise caution in signing and voting on them. The Company may implement the relevant opinions in the process of signing the investment partnership agreement and related documents based on the professional audit opinions and relevant review comments, and at the same time strengthen the track management of the fulfilment of the relevant agreements and requirements, and report any anomalies in a timely manner and take corresponding strategies.

4. ADDITIONAL INFORMATION OF THE PARTIES

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

Transportation Holding Capital is a company established in the PRC with limited liability and a wholly-owned subsidiary of Anhui Transportation Holding Group, and is principally engaged in assets and investment management, equity and securities investments, corporate mergers and acquisitions, project financing and entrusted assets management.

Transportation Holding Fund Management Company, a wholly-owned subsidiary of Transportation Holding Capital, is principally engaged in direct investment fund management or other investment fund management related to equity investment (excluding those that require prior approval from the China Securities Regulatory Commission); providing clients with investment advisory and management services related to equity investment (without approval from the financial regulatory department, it is not allowed to engage in financial services such as deposit-taking, financing guarantee, and entrusted wealth management).

Goldstone Investment is a wholly-owned subsidiary of CITIC Securities Co., Ltd.* (中信證券股份有限公司) established in the PRC with limited liability with a registered capital of RMB3 billion and is principally engaged in industrial investments, investment consultancy and management. On 13 February 2018, Goldstone Investment was registered as a private fund subsidiary of a securities company with registration number PT2600030645 in the Asset Management Association of China. According to the registration information of Asset Management Association of China, Goldstone Investment currently has 27 private equity investment funds under management, and in 2022, Goldstone Investment initiated and set up funds with a total scale of more than RMB10 billion, involving new materials, new energy, new-generation information technology, and healthcare sectors.

Goldstone Runze is a follow-up investment platform for employees of Goldstone Investment, a limited partnership enterprise, and is mainly engaged in investment activities with its own funds; enterprise management consulting; enterprise headquarters management.

5. CONFIRMATION OF THE BOARD

The Company has convened the 39th meeting of the ninth session of the Board on 30 October 2023 to consider and approve the resolution on the establishment of the Fund Partnership. Xiang Xiaolong and Chen Jiping, the directors of the Company, are directors or senior management of Anhui Transportation Holding Group and/or the directors nominated by Anhui Transportation Holding Group. Therefore, Xiang Xiaolong and Chen Jiping are considered to have interests in the transaction of the establishment of the Fund Partnership, and have abstained from voting on the resolution on the connected transaction of the establishment of the Fund Partnership under the Listing Rules. Save as aforesaid, none of the directors has any material interests in the transaction of the establishment of the Fund Partnership or is required to abstain from voting on the relevant Board resolution. After considering the above-mentioned reasons, the directors of the Company (including the independent non-executive directors) are of the view that the terms of the investment in the establishment of the Fund Partnership are fair and reasonable and are entered into on normal commercial terms, and that the connected transaction is conducted in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

6. 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. As Transportation Holding Capital and Transportation Holding Fund Management Company are subsidiaries of Anhui Transportation Holding Group, under Chapter 14A of the Listing Rules, both Transportation Holding Capital and Transportation Holding Fund Management Company are associates of Anhui Transportation Holding Group and are therefore also connected persons of the Company. Accordingly, the establishment of the Fund Partnership constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Fund Partnership Investment is more than 0.1% but less than 5%, the connected transaction for the establishment of the Fund Partnership is exempted from the shareholders' approval requirement, but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions 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 state-owned enterprise incorporated under the laws of the PRC, and the controlling shareholder of the Company
“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, a joint stock company incorporated in the PRC with limited liability, its H shares are listed on the Stock Exchange of Hong Kong, and its A shares are listed on the Shanghai Stock Exchange in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Transportation Holding Capital”	Anhui Transportation Holding Capital Investment Co., Ltd.* (安徽交控資本投資管理有限公司)
“Transportation Holding Fund Management Company”	Anhui Transportation Holding Capital Fund Management Co., Ltd* (安徽交控資本基金管理有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Transportation Holding Capital and one of the General Partners of the Fund Partnership
“Fund Partnership”	Anhui Transportation Holding Goldstone Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* (安徽交控金石新興產業股權投資基金合夥企業(有限合夥)) (tentative name), a partnership established under the laws of the PRC according to the Fund Partnership Agreement
“Fund Partnership Agreement”	the Partnership Agreement on Anhui Transportation Holding Goldstone Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (Tentative Name)* (《(安徽交控金石新興產業投資基金合夥企業(有限合夥)(擬定名)合夥協議》) entered into between the Company, Transportation Holding Capital, Transportation Holding Fund Management Company, Goldstone Investment and Goldstone Runze on 2 November 2023 in respect of the investment in the establishment of the Fund Partnership
“Fund Partnership Investment”	the committed investment of RMB200,000,000 in the Fund Partnership by the Company
“General Partner(s)”	general partner(s) of the Fund Partnership from time to time
“Goldstone Investment”	Goldstone Investment Limited* (金石投資有限公司), a limited liability company established in the PRC which is principally engaged in industrial investments, investment consultancy and management, is the fund manager, an executive partner and a General Partner of the Fund Partnership
“Goldstone Runze”	Goldstone Ruizhe (Zibo) Investment Advisory Partnership (Limited Partnership)* (金石潤澤(淄博)投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC, is a Limited Partner of the Fund Partnership

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Committee”	a committee to be established by the Fund Partnership responsible for making investment decisions for investments to be undertaken by the Fund Partnership
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Limited Partner(s)”	limited partner(s) of the Fund Partnership from time to time
“Partner(s)”	partner(s) of the Fund Partnership from time to time
“Percentage Ratio(s)”	the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, shall exclude 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
“%”	per cent

By Order of the Board
Anhui Expressway Company Limited
Lee Chung Shing
Company Secretary

Hefei, Anhui, the PRC
2 November 2023

As at the date of this announcement, the Board of the Company comprises Xiang Xiaolong (chairman) and Chen Jiping as the executive Directors; Yang Xudong and Du Jian as the non-executive Directors; and Liu Hao, Zhang Jianping and Fang Fang as the independent non-executive Directors.

This announcement is originally prepared in Chinese. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

* *For identification purpose only*