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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 TRANSACTIONS
ESTABLISHMENT OF FUND MANAGEMENT COMPANY
AND FUND PARTNERSHIP**

Reference is made to the announcement of the Company dated 22 September 2017.

The board of directors of the Company is pleased to announce that the Company, Transportation Holding Capital and Goldstone Investment have incorporated the Fund Management Company. On 13 December 2017, the Company entered into the Fund Partnership Agreement with the Fund Management Company, Transportation Holding Capital, Huafu Ruixing and Goldstone Investment.

As at the date of this announcement, Anhui Transportation Group holds approximately 31.63% of the total issued shares in the Company and is a controlling shareholder (as defined under the Listing Rules) of the Company. Transportation Holding Capital is a subsidiary of Anhui Transportation Group. Transportation Holding Capital is therefore an associate of Anhui Transportation Group and a connected person of the Company under the Listing Rules.

The establishment of the Fund Management Company constitutes a connected transaction of the Company as Transportation Holding Capital is a connected person of the Company. As all the applicable Percentage Ratios in respect of the Management Company Investment are less than 0.1%, the establishment of the Fund Management Company is exempt from all disclosure requirements under Chapter 14A of the Listing Rules.

The establishment of the Fund Partnership constitutes a connected transaction of the Company as Transportation Holding Capital is a connected person of the Company.

As the Fund Management Company and the Fund Partnership are established among the Company and substantially the same parties and that they are all related to investment in the Fund Partnership, the establishment of the Fund Management Company and the Fund Partnership shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Since the highest applicable Percentage Ratio in respect of the Management Company Investment and the Fund Partnership Investment (in aggregate) exceeds 0.1% but is less than 5%, the establishment of the Fund Management Company and the Fund Partnership constitute connected transactions of the Company which are exempt from the independent shareholders' approval requirement, but will be subject to the relevant reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. ESTABLISHMENT OF THE FUND MANAGEMENT COMPANY

The Company, Transportation Holding Capital and Goldstone Investment have incorporated the Fund Management Company. According to the articles of association of the Fund Management Company signed by the above parties on the same date, the total registered capital of the Fund Management Company is RMB30,000,000 and owned by Transportation Holding Capital as to 27.5%, the Company as to 2.5% and Goldstone Investment as to 70%.

The amount of the Management Company Investment is determined with reference to the capital requirements of the Fund Management Company and the parties' contribution intentions after negotiation among the parties. As at the date of this announcement, the Company has not made any capital contribution in respect of the Management Company Investment, which will be funded by the internal resources of the Company.

Business objective of the Fund Management Company

The Fund Management Company is the general Partner of the Fund Partnership which is responsible for the management and decision-making in relation to the investment business of the Fund Partnership. The scope of business of the Fund Management Company are: equity investment, fund management, securities investment, fund management, assets management, establishment of equity investment fund and establishment of securities investment fund. Businesses that require pre-approvals according to laws and regulations can only be concluded after obtaining approvals from the relevant authorities.

Operation of the Fund Management Company

The Fund Management Company has a board of directors comprising five members for a term of three years among which Goldstone Investment is entitled to nominate three directors (including the chairman) and Transportation Holding Capital is entitled to nominate two directors (including the vice-chairman). The quorum for the meeting of the board of directors shall be four directors, or three if the absent directors do not have reasonable grounds for not attending the board meeting. Resolutions regarding matters discussed at board meetings shall only be passed by not less than three directors.

The Fund Management Company shall establish the Investment Committee for the Fund Partnership managed by it. The Investment Committee shall comprise five members, among which three are nominated by Goldstone Investment and two are nominated by Transportation Holding Capital. The term of the Investment Committee will end on the date when the Fund Partnership is dissolved or the Fund Management Company ceases to manage the Fund Partnership. The duties and responsibilities of the Investment Committee are to make decisions in respect of the project initiation, investment and investment exit as well as post-investment management and other matters the decisions in respect of which shall be made by the Investment Committee according to the management rules of the Fund Management Company including the rules of procedure of the Investment Committee. The Investment Committee shall make decisions on a collective basis and any resolution made by it in respect of any matter is required to be approved by more than three (inclusive) members. The quorum for the meeting of the Investment Committee shall include at least one member delegated by Transportation Holding Capital (whether attending in person or by appointing other members to attend on his/her behalf), unless the aforesaid member fail to attend the meeting without reasonable grounds.

2. ESTABLISHMENT OF THE FUND PARTNERSHIP

Reference is made to the announcement of the Company dated 22 September 2017 (the “**Announcement**”). The board of directors of the Company is pleased to announce that on 13 December 2017, the Company entered into the Fund Partnership Agreement with the Fund Management Company, Transportation Holding Capital, Huafu Ruixing and Goldstone Investment, pursuant to which the parties agree to jointly establish the Fund Partnership. Details of the Fund Partnership are as follows:

Parties

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

The liabilities of the general Partner under the Fund Partnership are unlimited, while the liabilities of the Limited Partners are limited to their respective capital contributions.

Purpose

The purpose of establishment of the Fund Partnership is to develop operating activities in accordance with the scope of business of the Fund Partnership so as to achieve maximum economic return.

The scope of business of the Fund Partnership are: equity investment, assets management and provision of financial advisory services in respect of equity investment.

Capital contribution in the Fund Partnership

Name of Partner	Committed capital amount (RMB million)	Percentage of equity interest in the Fund Partnership (%)	Manner of contribution	Liability
the Fund Management Company	30	1.00	cash	unlimited
the Company	199.25	6.64	cash	limited
Transportation Holding Capital	1,891.75	63.06	cash	limited
Huafu Ruixing	300	10.00	cash	limited
Goldstone Investment	579	19.30	cash	limited
Total:	3,000	100.00		

Upon establishment of the Fund Partnership, the Fund Management Company will determine the initial contribution date of the Fund Partnership according to applicable laws, regulations and regulatory requirements as well as investment needs of the Fund Partnership. The Partners shall make their initial capital contributions on the initial contribution date, the amount of which is, in principle, 50% of their respective committed capital contributions. Upon the initial capital contributions, the Fund Management Company may issue the notice of subsequent payment of capital contributions to all Partners according to the progress of investment and utilization of funds.

The amount of the Fund Partnership is determined with reference to the capital requirements of the Fund Management Company 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.

Term

The term of the Fund Partnership is seven years in total, commencing from the initial contribution date. The investment period will be divided as follows:

- (1) there will be an initial five years, 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 in respect of which binding agreements have been executed before the expiry of the investment deployment period.

Based on the actual time of payment of subsequent capital contributions by the Partners and the operation needs of the Fund Partnership, upon proposal by the Fund Management Company and approval by the Limited Partners holding more than 51% interest, the term of the Fund Partnership may in principle be further extended twice by the Fund Management Company for one year each time.

Areas of investment and investment decision-making

The Fund Management Company manages the investment funds of the Fund Partnership and is responsible for the investment, management and operation of

the investment projects throughout the term of the Fund Partnership. The Fund Management Company will establish the Investment Committee to make professional decisions in respect of investment opportunities and to be accountable to the Fund Management Company. The Investment Committee is responsible for final decision-making of the investment projects of the Fund Partnership. In the process of investment decision-making, the Investment Committee shall implement the voting system with related parties abstaining from voting.

The Fund Partnership shall invest mainly in merger and acquisition (M&A) and consolidation of listed and unlisted enterprises, including but not limited to industry M&A or consolidation, controlling investment and strategic investment as well as overseas investment and financial investment. The investment method of the Fund Partnership is to mainly make equity investment and to a lesser extent to make investment in preferred shares, private placement of listed (quoted) companies, securities investment and debt investment with purpose of M&A as well as other investments in relation to M&A and restructuring subject to the requirements of applicable laws and regulations. The Fund Partnership may also invest in the sub-funds initiated and established by the Fund Management Company or its related parties.

Management fee

The Fund Management Company is entitled to a management fee annually calculated in the following manner:

- (1) During the investment deployment period: 2% of the aggregate paid-in capital contribution of all Limited Partners;
- (2) During the exit period: 1% of the amount of un-exited investment of the Fund Partnership contributed by all Limited Partners as of the end of the previous calendar year; and
- (3) During the extended period (if any): No management fee shall be paid.

The Fund Management Company will not bear any management fee.

Distribution of investment return

During the investment deployment period, the Fund Partnership may, at the end of each quarter, distribute the distributable cash (if any) of the Fund Partnership arising from project investment income for that quarter in the following manner:

- (1) Payment of a preferential return to all Partners: amount equivalent to an annualized return of 8%;
- (2) Payment of a catch-up return to the Fund Management Company: if there is any surplus after the distribution in (1) above, the remaining fund will be allocated to the Fund Management Company until such catch-up return of the Fund Management Company reaches the level equivalent to 25% of the aggregate amount of total preferential return in (1) above. No distribution shall be made if there is no surplus after the distribution in (1) above; and
- (3) Bonus return and performance management return: if there is any further surplus after the distribution in (2) above, 80% of the remaining fund will be allocated to all Partners in proportion to their respective paid-in capital contributions while the remaining 20% will be allocated to the Fund Management Company as performance management return.

During the exit period, distribution will be made in the following manner:

- (1) Distribution made within the investment deployment period will be considered as distribution of capital contribution; the distributable cash arising from project investment income during the exit period 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 (inclusive of the distributions made during the investment deployment period) to each Partner is equivalent to its paid-in capital contribution in the Fund Partnership;
- (2) Any surplus will be distributed to all Partners until the accumulated amount of distribution to all Partners reaches a level equivalent to a preferential return calculated at an annualized return of 8% 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 Fund Management Company if there is any surplus until the amount of distribution received by the Fund Management Company pursuant to this item (3) reaches twenty-five percent (25%) of the aggregate amount of preferred 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 their interests; twenty percent (20%) shall be distributed to the Fund Management Company.

After the Fund Partnership withdraws from all the investment projects during the exit period or upon liquidation carried out at any time, in the event that all Limited Partners are not able to realize preferred return according to the annualized revenue rate of 8% (simple interest) based on the actual paid-in capital, the shortfall of such amount shall be satisfied by the reallocation of both 20% of the total cumulative management fee collected by the Fund Management Company during its existence period and the catch-up return and the performance management return (after deducting VAT) to all Limited Partners, until all Limited Partners have realized the afore-said preferred return.

Limitation on transfer

Unless agreed by the Fund Management Company and other Limited Partners, no Limited Partner may transfer any of its interest in the Fund Partnership. However, if 1) a Limited Partner transfers its partnership interests to its related parties and undertake the joint and several guarantee liabilities for subsequent capital contributions made by the transferee; 2) a Limited Partner transfers its partnership interests to existing non-default Limited Partners; or 3) a Limited Partner has to exit the Fund Partnership and transfers its partnership interests for the purpose of meeting the changes in laws, regulations and regulatory rules of competent authorities, the Fund Management Company and other Limited Partners shall not unreasonably withhold their consent. The transferor shall submit a written application to the Fund Management Company at least 30 days in advance.

Unless agreed by all Partners, the Fund Management Company shall not transfer any of its interest in the Fund Partnership.

As at the date of this announcement, the Fund Partnership is still subject to the filing procedures with the China Securities Investment Fund Industry Association* in accordance with the requirements of the laws and regulations, including “Securities Investment Fund Law” and “Interim Measures on Supervision and Management of Private Equity Fund”.

3. REASONS FOR, AND BENEFITS OF, ESTABLISHMENT OF THE FUND MANAGEMENT COMPANY AND THE FUND PARTNERSHIP

To implement the objective needs of the Company’s development strategy

During the 13th Five-Year Plan, participating in equity fund is an important part of the Company’s implementation of a diversified development strategy. Following the progress of the financial system reform and the opening-up of the financial industry, the capital market is currently in a position with valuable

development potential and a good external environment is formed for the healthy development of equity investment funds. Subscribing for units in the Fund Partnership will facilitate the implementation of the diversified development strategy of the Company for the 13th Five-Year Plan and accelerate the diversified development of the Company.

An effective tactic of obtaining investment return

The Fund Partnership may obtain favourable investment return by identifying outstanding investment opportunities through market-oriented operation and management led by professional team. At the same time, opportunity exists for investing in the Fund Management Company to share part of the profit exceeding the expected profit level of the Fund Partnership to further increase the level of investment return.

An important way to nurture new rising business

The existing revenue of the Company is attributed primarily to its traditional business. By investing in the Fund Partnership, not only will the Company be able to obtain investment return from the Fund Partnership, but the Company can, through the investment process, combine the advantage of the core business of the Company, anticipate trends, identify business opportunities, nurture new core business and realize the development potential in advance.

An effective way to nurture a professional team

By establishing the Fund Management Company with professional investment management entities, the Company can form an internal professional team which will accumulate experience by communicating and collaborating with such professional entities and participating in investment activities together.

After considering the abovementioned reasons, the directors of the Company (including the independent non-executive directors) are of the view that the terms of investment in the Fund Management Company and the Fund Partnership are fair and reasonable and are on normal commercial terms, and such connected transactions are 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.

Qiao Chuanfu, Chen Dafeng, Xu Zhen and Xie Xinyu (being the directors or the senior management of Anhui Transportation Group and/or the directors of the Company nominated by Anhui Transportation Group) abstained from voting on

related resolution(s) at the board meeting of the Company held on 22 September 2017 as they were deemed to have material interests in the preliminary proposals of investment in the establishment of the Fund Management Company and the Fund Partnership and/or so as to demonstrate a good corporate governance practice.

4. THE RISKS OF THE INVESTMENT AND CONTROL MEASURES

Change in the macro economy

During the operation of the Fund Partnership, the investment targets may be affected by factors including changes in the macro economy and industry cycles, etc., resulting in fluctuations in operation results and comparatively large discrepancy between the actual investment progress and the expected performance. Changes in the market environment can also increase the risk of projects invested by the Fund Partnership failing to achieve the expected returns or even resulting in a loss.

The Company will, relying on the advantage of the professional platforms of the Fund Management Company, prospectively seize the development trend of the macro economy and the development opportunities of industries to carefully select the industries and projects to be invested in. In addition, a comprehensive risk management system will be in place to perform risk management throughout the entire investment deployment period. With mechanisms such as adding terms into investment agreements, the risks of investments can be lowered to a certain extent and the interest of the Fund Partnership can be safeguarded.

Changes in the capital market

The investment focus of the Fund Partnership will be corporate entities, the investment in which may be realized in the capital market. Therefore, changes in the capital market will have substantial impacts on the operation of the Fund Partnership.

The Company will rely on the effective post-investment management on the invested corporations and projects through the Fund Management Company, and fully utilize the abundant and leading capital market experience of the Fund Management Company in order to provide all-around services to the invested corporations and projects and to facilitate their development. Meanwhile, the Company will establish a comprehensive risk control system, rationally control the investment rhythm and exit timing and establish effective diversified exit methods to ensure smooth exit of investments.

Policy risk

The operation of the Fund Partnership is affected by multiple factors including finance and fiscal policies and tax and financial regulatory requirements of the state. Following the increasing transparency of the development of national market economy and the administrative management system, the regulatory framework of the private equity sector is undergoing major reforms which are gradually perfecting the legal environment, including the more enactments, annulments and amendments of the relevant laws and regulations and systems applicable to the Fund Management Company and the Fund Partnership. These changes may increase the operation cost of the Fund Partnership or impose additional restrictions to the business development of the Fund Partnership.

Industry policies research will be thoroughly conducted by the Company together with close monitoring of the regulatory movements. The Company will continue to enhance its ability to cope with changes and make timely adjustments to the changing regulations.

Other risks

The investment return of the Fund Partnership is mainly affected by the volatility of the capital market in the PRC and the operating performance of the invested corporations themselves. Invested corporations may experience poor operation or fail to be exited in the capital market due to changes in areas including industry competition, market outlook, financial position, management capability and quality of staff and staff's moral hazard, leading to poor operation of specific investment projects and/or inability to exit such projects through the capital market and eventually affecting the investment return of the Fund Partnership.

The following measures will be implemented:

- (i) establishing a claw-back mechanism to secure the attainment of preferred return to the maximum extent;
- (ii) adopting a relatively well-established internal control system to strengthen the risk control and compliance management of the Fund Management Company; and
- (iii) investing diversely to further alleviate the impact of unsystematic risks.

5. ADDITIONAL INFORMATION OF THE PARTIES

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

Transportation Holding Capital is a company established in the PRC with limited liability and is principally engaged in assets and investment management, equity and securities investments, mergers and acquisitions, project financing and entrusted assets management. It is a connected person of the Company.

Huafu Ruixing is a wholly-owned subsidiary of Huaan Securities Co., Ltd.* established in the PRC with limited liability and is principally engaged in financial product investments and equity investments. It is not a connected person of the Company.

Goldstone Investment is a wholly-owned subsidiary of CITIC Securities Co., Ltd.* established in the PRC with limited liability and is principally engaged in industrial investments, investment consultancy and management. It is not a connected person of the Company.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Anhui Transportation Group holds approximately 31.63% of the total issued shares in the Company and is a controlling shareholder (as defined under the Listing Rules) of the Company. Transportation Holding Capital is a subsidiary of Anhui Transportation Group. Transportation Holding Capital is therefore an associate of Anhui Transportation Group and a connected person of the Company under the Listing Rules.

The establishment of the Fund Management Company constitutes a connected transaction of the Company as Transportation Holding Capital is a connected person of the Company. As all the applicable Percentage Ratios in respect of the Management Company Investment are less than 0.1%, the establishment of the Fund Management Company is exempt from all disclosure requirements under Chapter 14A of the Listing Rules.

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Since the highest applicable Percentage Ratio in respect of the Management Company Investment and the Fund Partnership Investment (in aggregate) exceeds 0.1% but is less than 5%, the establishment of the Fund Management Company and the Fund Partnership constitute connected transactions of the Company which are exempt from the independent shareholders' approval requirement, but will be subject to the relevant 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 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)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Anhui Expressway Company Limited, a joint stock limited company incorporated in the PRC, its H Shares are listed on the Stock Exchange in Hong Kong and its domestic ordinary shares are listed on the Shanghai Stock Exchange in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Fund Management Company”	Anhui Transportation Goldstone Fund Management Co., Ltd* (安徽交控金石基金管理有限公司), a limited liability company established in the PRC and the general Partner of the Fund Partnership
“Fund Partnership”	Anhui Transportation Goldstone M&A Fund Partnership (Limited Partnership)* 安徽交控金石併購基金合夥企業(有限合夥), a partnership established under the laws of the PRC according to the Fund Partnership Agreement

“Fund Partnership Agreement”	the Partnership Agreement on Anhui Transportation Goldstone M&A Fund Partnership (Limited Partnership) entered into between the Company, the Fund Management Company, Transportation Holding Capital, Huafu Ruixing and Goldstone Investment on 13 December 2017 in respect of the investment in the establishment of the Fund Partnership
“Fund Partnership Investment”	the committed investment of RMB199,250,000 in the Fund Partnership by the Company
“Goldstone Investment”	Goldstone Investment Limited, a limited liability company established in the PRC which is principally engaged in industrial investments, investment consultancy and management
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huafu Ruixing”	Huafu Ruixing Investment Management Co., Ltd.* (華富瑞興投資管理有限公司) a limited liability company established in the PRC which is principally engaged in financial product investments and equity investments
“Investment Committee”	a committee to be established by the Fund Management Company 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
“Management Company Investment”	the committed investment of RMB750,000 by the Company in relation to the establishment of the Fund Management Company

“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
“Transportation Holding Capital”	Anhui Transportation Holding Capital Investment Co., Ltd.* (安徽交控資本投資管理有限公司)

By Order of the Board of Directors of the Company
Anhui Expressway Company Limited
Xie Xinyu
Company Secretary

Hefei, Anhui, the PRC
14 December 2017

As at the date of this announcement, the board of directors of the Company comprises: Qiao Chuanfu (chairman), Chen Dafeng, Xu Zhen and Xie Xinyu as executive directors, Yang Xudong and Du Jian as non-executive directors, and Kong Yat Fan, Jiang Jun and Liu Hao as 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.

* *Translation for identification purpose only*